

STATUTORY ENQUIRY, 1926-27

STEEL INDUSTRY

VOLUME VIII

Report of the Indian Tariff Board
regarding the grant of protection
to the manufacture of wagons
and underframes, component parts
thereof, and wire and wire nails,
including supplementary evidence
recorded in 1927.



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Report.

necessarily to wait until the situation in regard to the Wagon industry became less obscure. As regards locomotives, the Peninsular Locomotive Company, Limited, was the only Company in India concerned with their manufacture, and the question of its acquisition by Government was, therefore, vital to our enquiry. The Company has recently been acquired by Government and it has therefore become unnecessary to consider further the question of protection for the manufacture of locomotives.

3. Following the publication of the Board's communique of the 16th April, 1926, at the commencement of the Statutory Enquiry into the Steel Industry in India, applications were received asking for protection for the manufacture of:—

I. Railway wagons and underframes, locomotives and wagon forgings, from:—

The Indian Standard Wagon Company, Limited.
Messrs. Burn and Company, Limited.
Messrs. Jessop and Company, Limited.
The Peninsular Locomotive Company, Limited.
The Angus Engineering Works.

II. Steel castings and spring steel, from:—

The Hukumchand Electric Steel Works.

III. Wire and wire nails, from:—

The Indian Steel Wire Products, Limited.
Messrs. Ganguli and Company.
The Pioneer Nail Manufacturing Company.

IV. Bolts and nuts, from:—

Messrs. Kirloskar Brothers, Limited.
The Baroda Bolt Manufacturing Company.
Messrs. Henry Williams (India) Limited.

Questionnaires were then issued in connection with the making of wagons and underframes, locomotives, steel castings and spring steel, and replies to these questionnaires were received from the Railway Board and almost all the railways and from the firms concerned. These replies are to be found along with the oral evidence given by these firms and the Railway Board in Volumes IV and V of the evidence published during the Statutory Enquiry of 1926. With the exception of those of the Baroda Bolt Manufacturing Company, Messrs. Henry Williams (India) Limited, the Pioneer Wire Nail Manufacturing Company and Messrs. Kirloskar Brothers.

Limited, the works of the applicant firms have been visited by the Board on the dates given below :—

Pennine Locomotive Company	21st April, 1926.
Messrs. Burn and Company, Limited	26th April and 28th August, 1926.
Messrs. Joseph and Company, Limited	26th April, 1926 and 27th April, 1927.
Hukam Land Electric Steel Works	28th April, 1926.
Arms Engineering Works	12th July, 1926.
Indian Standard Wagon Company	17th July, 1926.
Indian Steel Wire Products, Limited	22nd April, 1926.

4. We are conscious that the delay in the submission of our recommendations may have rendered the costs and other figures received in 1926 somewhat out of date. We have, therefore, endeavoured so far as possible to ascertain the latest figures as regards manufacturing costs and import prices and have given the firms concerned an opportunity of modifying their original applications in the light of later experience.

5. This report has been divided into four parts: Part I deals with the production of railway wagons and underframes, Part II with the manufacture of various components such as steel castings, spring steel and bolts and nuts, Part III with the wire and wire nail industry, while Part IV summarizes the recommendations made by the Board.

Part I.—Wagons and Underframes.



CHAPTER II.

History and Progress of the Industry.

6. We have received applications for protection in respect of the manufacture of railway wagons and underframes from four firms, *viz.*, Messrs. Burn and Company, Limited, Messrs. Jessop and Company, Limited, The Indian Standard Wagon Company, Limited, and the Peninsular Locomotive Company. Of these the last has recently been acquired by Government and its application therefore requires no further consideration. Messrs. Burn and Company and the Indian Standard Wagon Company represented that a 30 per cent. *ad valorem* duty on wagons, excluding vacuum brake gear, was necessary, on the assumption that the duties on rolled steel and steel castings remained unchanged. Messrs. Jessop and Company considered that the duty should be 20 per cent. *ad valorem*, assuming that steel is duty free. As regards underframes, the latter firm applied for a 15 per cent. *ad valorem* duty, steel being duty free, while Messrs. Burn and Company submitted that a specific duty of Rs. 1,600 per underframe was required. These applications have been subsequently modified very considerably. In their letter, dated the 29th April, 1927, the Indian Standard Wagon Company claimed that a 12½ per cent. *ad valorem* duty, representing the revenue duty *plus* compensation for the protective duty on steel, would suffice, provided that the demand for wagons was normal. In view, however, of the restricted requirements of the railways, it was suggested that until orders could be placed for 4,000 broad gauge wagons a year, a 17 per cent. *ad valorem* duty should be imposed, to be subsequently reduced in two stages to 12½ per cent. *ad valorem*. Messrs. Jessop and Company also consider that in normal circumstances a 12½ per cent. duty should suffice, but claim that until orders for 6,000 broad gauge standard wagons per annum are placed, orders for wagons should be placed only in India. The application is silent as regards the price at which such orders should be placed, but in the oral examination it became apparent that this firm considered that the price should be fixed at a level equivalent to the c.i.f. price of imported wagons, with the usual freight and erection charges *plus* an *ad valorem* duty of 27½ per cent.

7. These claims vary in some respects from those originally put forward and the scale of protection now applied for is considerably less than that thought necessary in 1924 and 1925. It is obvious that great strides have been made in the manufacture of wagons in India, and some account of the progress made and of the results of the scheme of protection introduced in 1924 appears desirable. Even before the war, Messrs. Burn and Company and Messrs. Jessop and Company, as well as some of the Indian railway companies, undertook the manufacture of wagons but the

Progress of Wagon industry up to period of protection.

number completed in each year was comparatively small, and in the case of the two firms the production of wagons was subsidiary to their general engineering business. It was not until the year 1918 that a definite effort was made to establish the manufacture of wagons on a firm basis. In March of that year, the Government of India issued a communique in which they guaranteed to purchase in India 2,500 broad gauge and 500 metre gauge wagons annually for ten years, provided that the price was not higher than the price at which wagons could be imported and subject to conditions which would ensure that the materials and workmanship were satisfactory. Immediately after this announcement, the Indian Standard Wagon Company was formed to undertake solely the manufacture of railway wagons. Little progress however was made in the next six years. Competition from abroad was severe, and the Indian Companies found it difficult to secure orders against the prices quoted by foreign firms. Such orders as were received were of an intermittent nature and continuous working became difficult. By the year 1924, the single company specializing in the manufacture of wagons in India, *viz.*, the Indian Standard Wagon Company had to close down for want of orders.

8. In February of the same year, the Tariff Board submitted its proposals regarding the protection of the Wagon industry in India.

Tariff Board's first proposals. Bounties were proposed on the following scale:—

	Number of wagons on which bounty payable.	Amount of bounty per wagon.
		Rs.
First year	800	850
Second year	1,000	700
Third year	1,200	580
Fourth year	1,400	500
Fifth year	1,600	440

The Board's proposals contemplated that the cost to the State should be limited to Rs. 7 lakhs annually. In accordance with these recommendations, the Steel Industry (Protection) Act, 1924, provided for the payment of bounties not exceeding Rs. 7 lakhs in each of the financial years 1924-25, 1925-26 and 1926-27. With the introduction of a system of protection by means of bounties, the position of the Wagon industry was materially changed, and the Government of India in a communique, dated 27th June, 1924, formally withdrew their guarantee of purchase of 3,000 wagons in India annually. In the same communique, it was stated that Government was not in a position to forecast the exact number of

railway wagons which they were likely to require annually in future, but that they had every reason to expect that their requirements would be sufficient to give effect to the policy contained in Section 4 of the Steel Industry (Protection) Act.

9. A period of marked expansion in the Wagon industry followed the passing of the Steel Industry (Protection) Act, and a fourth firm the Peninsular Locomotive Company, originally formed to undertake the manufacture of locomotives, adapted itself to the construction of wagons. During the financial year 1924-25, orders were placed with Indian firms for 3,505 wagons, the distribution between the Companies being as follows:—

Indian Standard Wagon Company	. . . . .	1,675
Peninsular Locomotive Company	. . . . .	980
Messrs. Burn and Company	. . . . .	550
Messrs. Jessop and Company	. . . . .	300

Stimulated by these orders, the companies began to increase their output rapidly and by the time the supplementary steel enquiry was held in 1925, it became obvious that the original system of bounties was inadequate to meet the needs of the industry.

10. In the course of that enquiry, it was found that the scheme of protection embodied in the Steel Industry (Protection) Act, 1924, required reconsideration in three respects, viz., in the method of assessing the bounty, in the estimate of the output of wagons, and in the limit to the amount payable in any one financial year on account of the bounty. We contemplated in our first report the payment of a definite sum on each completed wagon, based on the difference between the lowest British and Indian tender in 1924 for an A-1 wagon. It was left to the companies concerned to tender for contracts with the Railway Companies at whatever price they considered that they could accept. In practice, however, the bounty as a general rule has been assessed in each year at the difference between the lowest price tendered by foreign and by Indian firms in that year for each type of wagon. This system has the merit of securing to Indian wagon manufacturers the maximum number of orders obtainable within the limit of the annual bounty payable.

11. With this change in the method of assessment originally proposed, it is clear that no restriction should be placed on the number of wagons on which the bounty was payable, if adequate assistance was to be afforded to the industry. In July, 1924, orders for 850 A-2 type and 1,250 C-2 type wagons were placed with Indian firms and in the course of the year 1924-25 a further 1,405 wagons were ordered. Of these only 407 were delivered before the end of March. Thereafter, the rate of outturn rapidly increased until the first months of the year 1925-26, is reached in average of 272 wagons a month besides 21 underframes. The Steel Industry (Protection) Act authorized the payment of not more than

Rs. 7 lakhs by way of bounties on wagons during each of the three years 1924-25, 1925-26 and 1926-27. But owing to the limited output, only Rs. 2,85,600 could be paid as bounties during the year 1924-25, and since the Act did not permit the unspent balance of one year to be carried forward to the next, the balance *viz.*, Rs. 4,14,400 of the permissible bounty lapsed. Similarly in the year 1925-26, payment of bounty was limited to Rs. 7 lakhs, but owing to the rapid increase in production, the amount due to be paid on wagon orders placed under the bounty scheme aggregated to Rs. 10,73,400. It was therefore necessary to carry forward the excess over Rs. 7 lakhs on these orders, *viz.*, Rs. 3,73,400 into the year 1926-27, thus reducing the bounty available on wagons to be delivered against new orders in that year to Rs. 3,26,600.

12. At the time of our first enquiry, it appeared that orders for underframes could be obtained by Indian firms in competition with

British makers. No recommendation was therefore made by the Board for protection of underframes. Mainly as a result of the rise in the sterling value of the rupee, but partly also on account of the increase in the cost of rolled steel consequent on the imposition of the protective duties, the ability of the Indian manufacturer to withstand foreign competition appreciably declined. In our report of September, 1925, we estimated that the protective duties on rolled steel imposed on the Indian manufacturer an additional expenditure of Rs. 265 for each underframe. On the other hand, the rise in the exchange reduced the price of an imported underframe by Rs. 1,120. It appeared also that the fall of the sterling price of a British underframe between 1924 and 1925, was larger than could be accounted for by the reduction in the sterling price of steel and that competition for orders in the United Kingdom had become still keener. The Board, therefore, was of opinion that a case had been made out for protection, and since the manufacture of underframes involved no processes that differ materially from those used in wagon building, decided that underframes also should be brought within the scope of the bounty scheme. The capacity of the Indian firms to manufacture underframes was estimated at about 300 annually and the amount of bounty required was placed at Rs. 600 on each broad gauge underframe.

13. Bearing in mind the rapid increase in the output of wagons in India, the Board considered that 3,000 wagons was the smallest

number on which bounty should be paid, if the requirements of the industry were to be

fully met and that the bounty on each wagon should not exceed Rs. 600. It accordingly recommended that for the years 1924-25 to 1926-27 the maximum amount of bounties sanctioned in respect of wagons and underframes manufactured in India should be increased from Rs. 21 lakhs to about Rs. 54 lakhs (paragraph 96 and appendix X of the Report), and that payments sanctioned in any one financial year might be made in the financial year in which sanction was given or in any subsequent year. These proposals were accepted by the Government of

India, but in view of the reduction in the prices of Indian wagon which occurred subsequently to the submission of our report, the total assistance by way of bounty was reduced to Rs. 33 lakhs. The proposals as thus amended were embodied in the Steel Industry (Amendment) Act, VIII of 1926, which provides for the payment of Rs. 13.60 lakhs as bounties in respect of wagons ordered during the financial year commencing on 1st April, 1924, and Rs. 19.40 lakhs in respect of such orders placed after 31st March, 1925, and before the 1st April, 1927. In pursuance of this scheme bounties to the extent of Rs. 7,41,000 were sanctioned in connection with orders placed in December, 1925, and there thus remains a balance of Rs. 11,99,000 for payment as bounties on orders for wagons and underframes placed subsequently but before 31st March, 1927.

14. In the latter half of 1925-26, orders for 4,711 broad gauge wagons of different types were placed. Of these 3,244 were secured

Further progress. by Indian manufacturers. With a constant stream of orders and continuous employment, it became possible both to expedite delivery of wagons and to reduce costs. The capacity of the works was further developed by the use of special tools and labour saving devices, on which both Messrs. Burn and Company and the Indian Standard Wagon Company spent considerable sums. Some indication of the rate of progress is to be found in the average monthly deliveries. The output of wagons in 1922-23 was about 120 a month. In the first half of 1925 the rate had increased to 272 while the average deliveries for July and August, 1926, including the output of the Peninsular Locomotive Company, amounted to 425. The increase is the more remarkable as Messrs. Jessop and Company had no orders for wagons in hand in the first seven months of the year.

15. An expansion of output operates to reduce costs in two ways. It renders possible considerable economies in the costs

Reduction in costs. above material, while at the same time the overhead charges and manufacturer's profit per unit of production automatically decrease. These economies have been facilitated by the fact that in the distribution of orders the practice was followed of allotting particular types of wagons to particular firms so as to allow scope for standardization in production. When it is remembered that during the period of protection, the price of steel which forms the bulk of the raw material for the manufacture of wagons steadily declined, it is perhaps not surprising that the costs of production of wagons have shown a large decrease. We give below the costs as given by the Indian Standard Wagon Company for three lots of C-2 wagons completed in the years 1924-25 and 1925-26 :—

	230 wagons.	1,020 wagons.	425 wagons.
	Rs.	Rs.	Rs.
Per wagon	5,245	3,395	3,291

Messrs. Jessop and Company and Messrs. Burn and Company build underframes also and for reasons which we shall explain later, we have not found it possible to ascertain with accuracy the wagon costs apart from those of the underframes; but a general idea of the improvement in costs may be obtained by a consideration of the tenders made by the various firms in the last five years for railway wagon contracts which we show in the statement below:—

Firms.	Type.	FOR DELIVERY IN				
		1922-23.	1923-24.	1924-25.	1925-26.	1926-27.
		Rs.	Rs.	Rs.	Rs.	Rs.
Messrs. Jessop and Company	A-2	5,510	5,316	5,028	4,444	3,573
Messrs. Burn and Company	A-2	5,410	5,286	4,421	4,100	3,470
The Indian Standard Wagon Company.	C-2	5,069	4,897	...	3,835	3,110

16. The very remarkable reduction in costs which these tenders reveal, may be ascribed, as we have already indicated, to two causes

viz., reduction in the cost of material and increased output resulting in a large decrease in overhead charges and a reduction in works costs above material.

It is difficult to indicate with any accuracy the directions in which economies have been effected or the extent of such economies, partly on account of the system of costing adopted by the firms, but partly also because wagon fittings previously purchased from abroad, are now being manufactured in increasing numbers by the firms themselves, particularly by the Indian Standard Wagon Company. As regards the costs of materials, we find from the cost sheets supplied by Messrs. Burn and Company that whereas in 1923-24 these stood at Rs. 3,354 per wagon of the A-2 type, by 1924-25 they had fallen to Rs. 2,828 and in 1925-26 to Rs. 2,367 per wagon. Cost of materials has, therefore, fallen by about Rs. 500 per wagon per annum. Taking the costs above materials and the overhead as given by the Company for the same years (pages 140, 142, 144, Volume IV of the Steel Report, 1926) and dividing interest at 7 per cent. on Rs. 44 lakhs of working capital between wagons and underframes in the same proportion as other overheads are divided by the company, we obtain the following figures for all charges above materials:—

giving a total reduction in the two years of some Rs. 1,200 per wagon. In 1923-24 the Indian Standard Wagon works were closed, but for 1924-25 and 1925-26 the figures are as follows:—

	1924-25.	1925-26.	Reduction in cost per wagon.
Number of wagons manufactured	230	1,445	..
Cost per wagon	Rs. 5,245	Rs. 3,665	Rs. 1,580
Cost of material	2,367	2,210	127
Overhead and other charges including direct labour.	2,908	1,155	1,753

17. The development of the industry is further revealed by a comparison of the British and Indian tenders for wagons at the commencement and end of the year 1925, when the Indian firms were continuously employed. The figures are as follows:—

Type of wagon.	LOWEST BRITISH TENDERS (LOADED RUPEE PRICE).		Diff.
	January 1925.	November 1925.	
	Rs.	Rs.	Rs.
A-1	3,286	3,083	203
A-2	3,416	3,194	222
C-2	3,264	2,997	267
C-3	3,350	2,915	435

The difference between the lowest Indian and British tender was as follows:—

Type of wagon.	DIFFERENCE BETWEEN INDIAN AND BRITISH TENDER.	
	January 1925.	November 1925.
	Rs.	Rs.
A-1	711	287
A-2	482	276
C-2	541	118
C-3	995	335

It will be seen, therefore, that in the course of the year the need for protection had much declined; had British tenders in November 1925 been at the same level as at the commencement of the year, the Indian wagon companies would have been able to secure orders practically without the assistance of bounties. It seems probable that the fall which occurred was due largely to changes in freight, exchange and erection charges, the sterling f.o.b. prices in both cases being approximately the same.

18. Though we are unable to analyse the reductions in costs in detail, these figures will, it is hoped, be sufficient to illustrate the

General result of protection.

progress made by this industry during the protective period and the possibilities of further progress in the future. During the past three years, the capacity of the Indian Standard Wagon Works has much increased: whereas in the middle of 1925 deliveries were at the rate of 155 wagons per month, the average monthly deliveries for July and August, 1926, were 187, while we were informed on 9th August, 1926, by the Controller of Stores that this company was then able to complete 2,400 C-2 type wagons a year and that 1,800 A-2 type wagons could be constructed per annum by Messrs. Burn and Company and Messrs. Jessop and Company. The total capacity for wagon construction in India in the middle of 1926 was therefore about 4,500 wagons per annum in terms of the C-2 type while since that time all the firms claim to have increased their capacity. It is clear, therefore, that a very large proportion of the normal demand of the railways can be met by manufacturers in this country. With this largely increased capacity we believe that, provided sufficient orders are forthcoming, it will be possible to construct wagons in India at a price at which foreign competitors, allowing for freight, etc. and the revenue duty, cannot compete and that, within a comparatively short period, the railways should be able to secure all their requirements within the country at prices substantially below those which would be paid for imported wagons.

19. We consider that the results so far attained amply justify the policy of protection by means of bounties which has been

Working of bounty scheme.

followed during the past three years. The scheme, as it has been worked, is in effect a system of guaranteed orders to Indian firms, the additional cost resulting from the purchase of Indian in place of foreign wagons being refunded to the railways from the general revenues of Government. In administering the scheme considerable latitude has had to be employed. The restriction on the annual amount payable as bounties to Rs. 7 lakhs, to which reference has already been made, gave rise to some difficulty. The number of wagons completed in 1924-25, and consequently the bounty payable, was small, and in order to ensure continuous work to the wagon companies, it became necessary to reject all tenders and negotiate prices with the manufacturers. It thus became possible to distribute the bounties over two years and secure that the firms should be continuously employed throughout 1925-26. For similar reasons,

payment for 425 C-2 wagons delivered in 1925-26 was not made until April, 1926. Again contracts have not always been placed with the Indian firm making the lowest tender. Where a firm has already received orders up to its full capacity, or a firm has been left with too small an order, a distribution of orders otherwise than on a basis of lowest tender has been found necessary. This has been partly due to the importance of considering in the interests of railway administration the probability of punctual delivery, but the determining factor appears to have been the establishment of the Wagon industry on a firm basis. It would clearly have not been in accordance with the expressed intention of the legislature of establishing the Wagon industry in India, if orders were not so distributed as to ensure as far as possible that each company was continuously employed in the early stages. With these divergencies of treatment and apparent inconsistencies of administration, it is natural that the companies concerned should have regarded the bounty system with some suspicion, more particularly since the assessment of bounty, as we explained in our report of September, 1925 (paragraphs 99 and 100) has not always been easy to understand. We are, however, satisfied on a review of all the circumstances that the system has been worked in the spirit of the Steel Industry (Protection) Act and in the best interests of the Wagon industry as a whole.

CHAPTER III.

Future demand for wagons. Plan of the Report.

20. In the previous chapter we have emphasized the importance of a steady stream of orders sufficient to ensure continuous working and an economic output in the wagon works.

Surplus wagons. Unfortunately, the prospects in this respect are by no means favourable. The re-organization of railway methods following on the Acworth Committee's report has resulted in very large economies, particularly in regard to the employment of rolling stock, and we are informed that it is now possible for the railways to meet all their traffic requirements with a much smaller number of wagons than was formerly the case. The main causes of this improvement in carrying capacity have been stated to be, reduction in the time occupied in repairing wagons, strengthening of tracks and bridges, improved marshalling yards, extension of the use of telephone train control, increased use of vacuum brakes, doubling of railway tracks, and the use of higher capacity wagons. As a result of these measures the number of broad gauge wagons in excess of immediate requirements on Indian railways stood at 24,000 in July, 1926, against about 17,000 to 20,000 in July of the previous year when, as we were informed in evidence*, the volume of traffic was the same. It appears, therefore, on the assumption, which we believe to be correct, that there was no wagon shortage in 1925-26, that there was a surplus in 1926-27 of from 4,000 to 7,000 wagons as compared with the maximum requirements of the year. In the course of the debate in the Legislative Assembly on the railway budget on 23rd February last, it was stated on behalf of Government that the number of wagons stabled in February, 1927, when traffic was at its height, was between 5,000 and 6,000. The supply of rolling stock must clearly be maintained at a level sufficient to meet all traffic even during the busy season and the actual surplus of wagons may therefore be placed at about 5,000. This, it was claimed, constituted a necessary reserve to meet unforeseen demands.

21. It is clear that there is nothing in the present situation as above stated to jeopardize the position of the Wagon industry, and if no further economies in rolling stock were possible, the demand of the railways for wagons on account of renewals as well as additions would probably be about normal. The danger to the Wagon industry arises from the fact that the various improvements in railway administration to which we have already referred, have not yet been worked out in full, and it is anticipated that further economy in the number of wagons employed will be possible in

Future economies restrict demand.

* Page 75, Volume V, Steel Report, 1926.

future years. Consequently the demand for broad gauge wagons will be restricted for some years. The evidence given before us by the Railway Board in July, 1926, indicated that no further broad gauge wagons of standard type would be required during 1927-28, 1928-29 and probably during the next three years.

22. In May, 1927, we obtained from the Railway Board a statement of the orders for rolling stock actually placed for delivery in 1927-28 and of the probable requirements of the railways for the next three years. In the current year, orders have been placed for

Orders for wagons in current and future years. 1,218 four wheeled metre gauge wagons of three types and 774 underframes (Bogie 566, four wheeled 208). In addition, tenders for at least a further 86 underframes and 55 wagons of different kinds have been called for or are about to be called for. Sufficient orders have thus been placed to keep two of the three remaining firms working continuously during the year while the Indian Standard Wagon Company have orders sufficient to keep the works employed for about eight months. In 1928-29, as far as can be judged from the statement referred to above, it is probable that orders will be placed for 106 broad gauge wagons (Bogie 43, four-wheeled 63) of various types, 915 metre gauge wagons (Bogie 98, four-wheeled 817) and 877 underframes (Broad gauge bogie 396, four-wheeled 231, metre gauge bogie 178 and four-wheeled 72) of different types. Of these, 200 underframes may be constructed at the Peninsular Locomotive Workshops which have been acquired by Government.

23. As regards the years 1929-30 and 1930-31, we have been furnished with lists of the demands entered by the railways in their quinquennial programmes. These demands

Railway requirements in 1929-30 and 1930-31. have not yet been examined by the Railway Board and are likely to be considerably modified. We have indeed been warned by the Railway Board against placing too much reliance on them, though no other information is likely to be available in the near future. In the circumstances we do not feel justified in going beyond the Railway Board's statement in evidence that no broad gauge wagons of standard type will probably be required in these years. The figures for metre gauge wagons and broad and metre gauge underframes are as follows:—

	METRE GAUGE WAGONS.		BROAD GAUGE UNDERFRAMES.		METRE GAUGE UNDERFRAMES.	
	Bogie	Four- wheeled.	Bogie.	Four- wheeled	Bogie.	Four- wheeled.
1929-30 . .	167	1,500	377	226	272	352
1930-31 . .	80	999	451	127	254	62

In both these years, the Railway Board anticipate that 507 underframes will probably be manufactured in the Peninsular Loco-

motive Works. On the evidence before us it appears that the position in regard to orders will, if anything, be worse in 1928-29 than in the current year, and that no substantial improvement can be expected in the next two years. Even after the elimination of the Peninsular Locomotive Company, it would seem that the orders available will not suffice to keep the works fully employed, while if any substantial portion of the orders is secured by firms abroad, one or more of the Indian works will be compelled to close down.

24. A critical situation has thus arisen. An industry of great national importance has been successfully established at a cost to the country of some Rs. 33 lakhs. But, as a result of the absence of orders from the railways, one firm engaged in the industry (the Peninsular Locomotive Company) has

Crisis in Wagon industry could not have been foreseen in 1924-25.

sold its works to Government, while the remaining firms find themselves in a position of considerable uncertainty. Large orders for wagons have been placed abroad in recent years and it is therefore necessary to consider to what extent the present situation of the Wagon industry could have been foreseen. In 1922 and 1923, the average delivery of wagons by Indian firms was 120 a month, and in our report in 1924 we placed the number of wagons on which bounty should be paid at 800 annually in 1924-25 rising to 1,600 in 1928-29. In the year 1924-25, there was, therefore, no reason to suppose that the requirements of the railways, even if orders were placed abroad, would not be sufficient to ensure that the wagon companies were continuously employed. As regards the orders placed abroad for 819 broad gauge wagons for delivery in 1925-26, we are satisfied therefore that from the point of view of the Indian manufacturers of wagons, there is no reasonable ground of complaint.

25. As regards the orders for about 1,450 broad gauge wagons placed abroad in December, 1925, for delivery in 1926-27, the position is somewhat different. In the course of our enquiry in 1924, it was stated in evidence on behalf of the Railway Board

But might have been foreseen in 1925-26.

that very remarkable results had been obtained in the better use of wagons on some railways and it was hoped that other railways would also improve. In the evidence given before us last year, it was stated that it had been brought constantly to the notice of the Railway Board that certain improvements had been made in the working of traffic and that a great deal of money had been spent on improvements. Further, in July, 1925, it was found that 17,000 to 20,000 wagons were not immediately required for use on Indian Railways, whereas in previous years very few wagons were stabled even in the slack season. Even though the precise extent of the economy in wagons may not have been ascertained, it must have been apparent before orders were placed in December, 1925 that the future demand of the railways was likely to be very seriously restricted. In the course of the year 1925-26, it must also have been clear that the capacity of Indian firms for the manufacture of wagons had largely expanded. In our report, dated 3rd

September, 1925, we estimated that 3,000 wagons was the smallest number which would meet the requirements of the industry, while in the autumn of the same year the Railway Board was advised by the Indian Stores Department that the capacity of Messrs. Burn and Company, Messrs. Jessop and Company and the Indian Standard Wagon Company for 1926-27 was 3,250 wagons.^a Finally, the delivery of wagons by these three firms in the summer of 1925-26 was 272 monthly, equivalent to an annual delivery of 3,264 wagons. To this has to be added the outturn of the Peninsular Locomotive Company, which the Railway Board estimated at 600 wagons in 1925-26. It must, therefore, have been clear that in the future orders for between 3,000 and 4,000 wagons at least would be required by the Indian industry.

26. There may be factors which have not been brought to our notice, but on the evidence before us we cannot avoid the conclusion

Present crisis could not have been entirely averted.

that the future needs of the Indian wagon-building industry were overlooked when orders for about 1,450 broad gauge wagons were placed abroad in December, 1925. As regards the 910 metre gauge wagons for which orders were placed abroad at the same time, the case is perhaps different. It is possible that these were required for urgent replacements and that the orders could not well have been deferred. But as regards broad gauge wagons, in view of the fact that wagon supply had been improving so rapidly that the figures during 1925 showed not merely an unprecedented surplus over previous years but even the possibility of a reserve, which actually in the next few months amounted to 5,000 wagons, it must have been apparent that rail way efficiency would not have suffered if the orders for 1,450 broad gauge wagons had been withheld and placed later with Indian firms. We do not contend that such action would have entirely averted the critical situation which has now arisen. It would, however, undoubtedly have improved the position in 1927-28 and it might then have been found unnecessary to purchase the Peninsular Locomotive works. We do not propose to discuss the vexed question of State *versus* private enterprise and we do not doubt that in the circumstances the purchase of the Peninsular Locomotive Works afforded the best means of escape from a difficult situation. At the same time, if the railways are to obtain their rolling stock in India ultimately at prices which would compare favourably with those prevailing in other countries, it is essential that there should be sufficient firms engaged in this business to ensure effective competition. From this point of view, the elimination of one of the two firms specializing in the manufacture of wagons cannot but be regretted.

27. Apart from the purchase of the Peninsular Locomotive Works, special measures were taken by Government to provide sufficient employment for the wagon-building firms in 1927-28. Tenders for metre gauge wagons and for underframes were called

Measures taken by Government.

for in India only, and instructions were issued to the State-worked railways to place orders in India for such spare parts as it might be necessary to purchase and to call for tenders in India only for shedding, roof trusses, and bridge spans up to 80 feet span. It was, however, stipulated that orders would be placed in India only if a reasonable price could be agreed on. In this way, a temporary solution of the difficulty has been provided and the continuance of the Wagon industry ensured during the current year. It is clear that Government has been anxious to assist the firms in every reasonable manner and they themselves agree that Government has done its best for them in a very difficult situation. At the same time, the measures now introduced constitute a temporary remedy only and it is necessary to consider how the industry is to be maintained until the normal demand for broad gauge wagons revives.

28. The cost of production and consequently the fair selling price of wagons, on which the amount of protection to be proposed must largely depend, is determined to a very great extent by the output of the

Plan of report. works. We have not been able to ascertain with any degree of accuracy the period within which the demand for broad gauge wagons may be expected to revive, and it is necessary, therefore, to frame recommendations to cover both normal conditions and also the exceptional circumstances which now prevail. But apart from this, the country has the right to know the exact stage of development reached by an industry on which a large sum has been expended out of public revenues, while the railways should also be aware of the prices at which, under normal circumstances, they may expect to purchase wagons manufactured in India. We shall, therefore, first ascertain the fair selling price of Indian wagons on the assumption that an economic output is maintained and on this basis put forward our recommendations as to the amount of protection, if any, required. We shall then consider to what extent the output of the existing firms is likely to be reduced by the restricted demand for broad gauge wagons and to what extent our recommendations require modification to suit the existing circumstances.

CHAPTER IV.

Fair Selling Price of Wagons.

29. In our report of September, 1925, (paragraph 102) we drew attention to the difficulty in ascertaining what should be taken as the reasonable cost of constructing a wagon in India. Although more accurate data are now available as the result of the continuous working of the wagon firms since we last reported, the inherent difficulties in estimating the fair selling price still remain and it is necessary to explain briefly what these difficulties are. Of the firms now engaged in the Wagon industry, Messrs. Burn and Company and Messrs. Jessop and Company, in addition to the manufacture of wagons, undertake also structural work and the construction of underframes. All general charges, power, indirect labour, supervision, overhead charges, and the like, have to be allocated to the various forms of manufacture. The system adopted by Messrs. Burn and Company, of which that followed by Messrs. Jessop and Company is merely a variant, is to allocate these charges according to a fixed ratio on the direct wages when the plant is running to normal capacity. The ratio adopted is that which the manufacturer's experience extending over many years indicates as suitable and the figure is not susceptible of check. If the plant is working below normal capacity and loss is thereby incurred, the amount of the loss is shewn as "loss on charges." But when the allocation of charges between the different forms of manufacture is in accordance with a ratio determined arbitrarily by the manufacturer and not susceptible of check, it is clearly impossible to arrive with any degree of certainty at the cost of production of one of the several kinds of products manufactured in the same works.

30. A further difficulty arises from the fact that the cost figures over a given period, cover not merely the wagons completed during the period, but also a certain amount of work in progress. If the work in progress at the commencement and end of the year were the same, the accounts would present no difficulty. But this seldom happens and it is therefore necessary to carry forward portion of the overhead and other charges in the value of the work in progress. We recognise that this system of job costing is necessary for this particular class of work and that the system of process costing which is employed in industries such as the rolled steel industry, where the process of manufacture is continuous, would be entirely unsuitable for the engineering industry. But it is obvious that it renders the calculation of the incidence of any given charge a matter of great difficulty.

31. The first difficulty does not arise in the Indian Standard Wagon Works, where wagons only are manufactured, and it is

possible to assess depreciation, interest on working capital and manufacturer's profit with reasonable accuracy. As regards works costs, the cost of material and direct wages can be readily ascertained as these are directly allocated to the output. Other costs above material, however, are not so easy to determine owing to the fact that the accounts include work in progress of which the amount carried over is not necessarily the same at the commencement and end of the year. In this respect the costs of the Indian Standard Wagon Company present to some extent the same difficulty as in the case of the other two firms. But, as we shall explain later, the figures which we have actually received from the Company render this difficulty less formidable than it might appear.

32. The Indian Standard Wagon Company has certain definite advantages in regard to fuel and power, being situated at Asansol, in the middle of the Bengal coal field,

Indian Standard Wagon Company taken as typical.

while its plant is modern and comprises the latest labour saving devices; provided an economic output is obtained it should be able to produce wagons at least as cheaply as any other company in India. It would, therefore, not result in any additional burden on the taxpayer if we assess the measure of protection necessary for the Wagon-building industry as a whole on a consideration of the works cost, overhead charges, and manufacturer's profit, which appear reasonable for the Indian Standard Wagon Company, taking that Company as typical generally of Wagon-building firms in India. We would refer here to the evidence given by the Indian Stores Department on page 346 of Volume VI of the Steel Report, 1926, in which it is stated that wagons constructed by the Indian Standard Wagon Company compare very favourably with those manufactured in England, that the works of this Company are reasonably well equipped and that an examination of the costs of construction in their works could be done with greater facility and accuracy than in the case of other wagon-building works in India. This method assumes that the C-2 wagon, which is the type almost exclusively manufactured by the Indian Standard Wagon Company in 1925-26, the latest year for which costs have been furnished, may be regarded as a representative type of wagon and that the protection calculated on the cost of producing this class of wagon will be adequate for firms producing other types also. This seems a reasonable assumption since it has been found that of the other types manufactured by Indian firms, the cost of an A-1 or A-2 wagon is not much above nor the cost of a C-3 much below that of a C-2 wagon. We are aware that the designs of the main types of I. R. C. A. wagons have been under revision, but the alterations proposed are not such as will affect the general validity of our calculations. We have explained to the applicants for protection our intention of basing our recommendations on this method and they have agreed to its adoption. It appears, therefore, that an examination of the subject on these lines will be acceptable to the applicants for protection, not unfair to the general public, and likely to yield the most

satisfactory results. Accordingly, in this portion of our report, we have decided to confine our attention to ascertaining the fair selling price of wagons manufactured at the Indian Standard Wagon Company's works.

33. When we held our last enquiry into the Wagon industry, the Company had completed 230 wagons in 1924-25 but had worked

only for a portion of the year. It was therefore impossible to arrive at any conclusion as regards costs. On this occasion

Costs available as a basis of calculation. we are in a more fortunate position. The Company has supplied us with figures relating to the completion of three sets of wagons, *viz.*, 230 in 1924-25, 1,020 in 1925-26 and a further 425 in the same year. We have also figures for the total charges actually incurred in 1925-26 as well as details of these charges. With these figures before us, we are in a position to attempt to estimate the fair selling price of wagons in India under normal circumstances. Our first step is to determine the probable level of works costs assuming that an economic output is maintained. In their evidence before us, the Managing Agents claimed that the present capacity of the works was 2,500 wagons annually. In August, 1926, the Chief Controller of Stores estimated the capacity of the works at 2,400 C-2 wagons but since then there has been some development. On the whole, we consider that an output of 2,500 wagons a year will ensure reasonably economic working and that this is within the present capacity of the works. In 1924, we were informed by the Railway Board that the total demand for wagons was somewhere between 4,000 and 4,500 and would rise in five years time to about 7,500. We think, therefore, that if the demand were normal the Indian Standard Wagon Company might reasonably expect orders for 2,500 wagons annually.

34. We must first ascertain the cost of material per wagon, which clearly will remain at the same level whatever the output.

In all, including the material required for fittings manufactured in the works, 7 tons 1 cwt. 20 lbs. of steel structurals, plates, and bars of British standard specification steel are used in the construction of one C-2 type wagon in the following quantities:—

	Cwts.	Qrs.	Lbs.
Structurals	54	0	5
Plates	52	2	18
Bars	34	1	25

For the purpose of our calculation, we propose to adopt the prices set forth in Table XXVI, page 62, of Volume I of our Steel Report, 1926, which are based on the c.i.f. prices of imported steel prevailing in the first three months of 1926, *plus* the duties introduced in 1927. For convenience of reference these prices are set out below:—

	Rs. per ton.
Structurals	123
Plates	135
Bars	134

We thus get a total cost of rolled steel material of Rs. 918.7.

35. We base our estimate of the cost of material other than steel sections, bars, and plates, on the order for 425 wagons executed in 1925 which gives us the latest available information regarding costs at the Indian Standard Wagon Company's works. But the castings purchased for this order averaged in price about Rs. 349 per wagon. These, however, were largely of British manufacture whereas at present the Company uses Continental castings. The cost of castings for a C-2 wagon in 1926 is given by the Indian Standard Wagon Company as Rs. 241, which may be adopted for the purpose of our estimate. Fittings will be manufactured entirely by the Company with the exception of the vacuum brake, the cost of which is Rs. 240. Messrs. Jessop and Company have recently informed us that there has been a considerable rise in the price of the vacuum brake. We have not, however, been able to obtain a definite figure and since foreign makers' costs will be affected equally by any rise, it appears unnecessary to make any alteration in the figure which has been accepted as recently as May of this year by the Indian Standard Wagon Company. Other materials consist mainly of bolts, nuts and rivets; these with stores amounted to Rs. 121 per wagon in 1925, but in view of the reduction in the price of steel since that year, they may safely be reduced to Rs. 110. Cost of material would therefore stand as follows:—

	Rs.
Steel including material for fittings	919
Castings	241
Vacuum brake	240
Other materials and stores	110
TOTAL	<u>1,510</u>

36. Direct labour per wagon is not likely to vary to any great extent and the 1925 figure of Rs. 337 may be adopted. To this has to be added Rs. 17, which appears to us as a reasonable estimate of the additional direct labour cost of making all fittings except the vacuum brake, giving a total of Rs. 354.

37. We now come to the cost above material. The total expenditure in 1925-26, as given by the Company in their charges account, is as follows:—

	Rs.
Salaries:—	
European	1,21,420
Anglo-Indian and Indian	91,250
Repairs and Maintenance:—	
(a) Buildings	9,320
(b) Plant and machinery	82,650
(c) Furnace and flues	4,780
(d) Other plant	31,220
Non-productive wages	82,270
General shop supplies	93,600
Coal and Coke	57,560
Power	72,940
Sundries	45,440
TOTAL	<u>6,97,670</u>

The charges account from which these items are taken (enclosure 3, page 158, Volume IV, Steel Report, 1926) include all the charges incurred during the year. The number of wagons completed in 1925-26 was 1,445, but it is clear from the fact that "the loss on charges" forms a substantial item in the cost accounts (page 155, Volume IV, Steel Report, 1926) that the Company estimated that considerably more than 1,445 wagons could have been completed without any addition to the charges. We have been informed by the representative of the Company that the normal number which could have been completed at the same expenditure was 1,800 and since in the autumn of 1925, the Chief Controller of Stores estimated the capacity of this works at 1,750 wagons annually, an estimate of Rs. 6,97,670 as the cost above material (excluding direct labour) in the manufacture of 1,800 wagons does not appear excessive. We think some reduction must be made on account of the fall in the cost of coal and of general supplies, and consider Rs. 17,000 on this account a reasonable reduction leaving a total expenditure, in round figures, of Rs. 6,80,000.

38. Another matter which calls for attention is the expenditure under the head "Repairs and Maintenance." This amounts to Rs. 1,28,100 and forms a much higher percentage of the costs above material than we find in the case of Messrs. Burn and Company or Messrs. Jessop and Company's costs. Both these firms show expenditure on repairs and maintenance which on the average are not above 8 per cent. of their costs above material. The reason for the additional cost on repairs is probably to be found in the fact that the Indian Standard Wagon Company employ machinery to a greater extent than the other firms. But it is necessary to point out that in our estimate of a reasonable charge for depreciation, we have made full allowance for this and, as will be seen later, have assessed depreciation at $6\frac{1}{4}$ per cent. on a block value of Rs. 57 lakhs. It does not appear, therefore, reasonable to allow a much higher charge for repairs than is shown by the other firms. We realize that minor repairs are usually charged against revenue, but in the statement for 1925-26 the Indian Standard Wagon Company carried practically the full amount, as calculated by the Board, to depreciation, while at the same time the whole cost of repairs was charged in the works costs. We do not consider that more than Rs. 68,000 or about 10 per cent. of the total cost above material—a higher percentage in fact than is shown by either Messrs. Burn and Company or Messrs. Jessop and Company—should be included in the works costs. The balance we regard as a proper charge against depreciation. The total cost above material (excluding direct labour) then becomes approximately Rs. 6,20,000.

39. A further adjustment is however necessary. In 1925-26, two lots of wagons were constructed, one lot of 1,020 and another of 425 wagons. For the former most of the forgings were purchased, while for the latter a large part of the fittings, but not all, were manufactured

by the Company. We are now estimating the cost above material for 1,800 wagons and it is necessary, therefore, to determine the total charges if the same proportion of fittings were manufactured for the whole output as were made for the 425 wagons. This additional cost of manufacturing fittings has been taken roughly at the difference between the cost per wagon of constructing 1,020 and 425 wagons under the following heads:—power, fuel, repairs, non-productive labour, general shop supplies, and supervision. The total additional charges on this account as given by the Company (page 182, Volume IV, Steel Report, 1926) amount to Rs. 62 per wagon. In this is included Rs. 12 on account of repairs, half of which might be charged to depreciation, leaving a total of Rs. 56 per wagon. It may appear at first sight that the cost of manufacturing forgings (Rs. 56), should decline when the output increases to 1,800 wagons. This, however, is not so, since even when manufacturing forgings for 425 wagons, the works were in continuous operation and producing a full output. On 1,375 wagons (*i.e.*, 1,800 less 425) this would amount to Rs. 77,000. Adding this to the cost above material as shown in the previous paragraph (Rs. 6,20,000), the total becomes Rs. 6,97,000. This on an outturn of 1,800 wagons gives an incidence of Rs. 387 per wagon.

40. If we suppose that this incidence remains unchanged for an output of 2,000 wagons, we obtain a total charge of Rs. 7,74,000.

Incidence for 2,000 wagons.

This would mean a total additional expenditure of Rs. 77,000 for the construction of 200 wagons. This figure, however, appears somewhat high. On page 184, Volume IV, Steel Report, 1926, the Indian Standard Wagon Company places the additional cost above material (excluding direct labour) required to increase the output from 2,000 to 2,500 wagons at Rs. 1,43,000. We think, therefore, that Rs. 60,000 should be sufficient for an increase from 1,800 to 2,000 wagons. The total cost above material of constructing 2,000 wagons would then be Rs. 7,57,000 or Rs. 378.5 per wagon.

41. It is proposed in future to manufacture all fittings for wagons except the vacuum brake and it becomes necessary, therefore, to take into account the additional cost

Additional charge on account of future manufacture of fittings.

of manufacturing such fittings as were still purchased when the order for 425 wagons was executed in 1925-26. The Indian Standard Wagon Company (pages 182 and 183, Volume IV of the Steel Report, 1926) estimates the additional cost (excluding direct labour) at Rs. 48 per wagon. We would reduce this by Rs. 4 representing half the cost of repairs which might be charged against depreciation. The additional cost on 2,000 wagons would then be Rs. 88,000. Adding this to the total already obtained (Rs. 7,57,000), we find the cost above material of constructing 2,000 wagons with all fittings, except the vacuum brake, manufactured in India is Rs. 8,45,000 or Rs. 422.5 per wagon.

42. The next step is to determine the cost above material of constructing 2,500 wagons. The Company estimates the additional cost above material of increasing their annual output from 2,000 to 2,500 wagons (excluding direct labour) at Rs. 1.43,000. Of this sum about Rs. 10,000, on account of the cost of repairs, might be charged to depreciation, leaving Rs. 1,33,000 as the total additional cost. For the construction of 2,000 wagons the cost above material has been found to be Rs. 8,45,000. The cost of constructing 2,500 wagons is, therefore, Rs. 9,78,000 which gives an incidence of Rs. 391 per wagon.

43. The total works costs may then be stated as follows:—

<i>Works costs.</i>		Rs.
<i>Materials—</i>		
Steel		919
Castings		241
Vacuum brake		240
Other materials and stores		110
<i>Above materials—</i>		
Direct labour		354
Charges excluding overhead		391
TOTAL		<u>2,255</u>

44. It is now necessary to estimate the overhead charges and for this purpose the replacement value of the plant must be determined.

The original subscribed capital of the Indian Standard Wagon Company consisted of 38,975 ordinary shares of Rs. 100 each and 19,665 seven per cent. cumulative preference shares of the same denomination. In 1925-26, the capital was written down by a reduction of the ordinary shares to Rs. 25 each. The block account originally stood at Rs. 73,19,188 which, with subsequent additions to the plant amounting to Rs. 8,50,369, would now stand at Rs. 81,69,557, had there been no re-organization. When the capital was reduced in 1925-26, the block account was also written down by Rs. 24,80,424. If the reduction is taken against the original valuation of the plant, we find that the value of machinery has been taken at a figure 44 per cent. less than the valuation in 1921-22 while buildings and miscellaneous heads have been reduced by 18 per cent. and 31 per cent. respectively. We consider that these figures adequately represent the reduced value of the plant resulting from the fall in value of machinery, steel and other material since the construction of the works, and we are satisfied that a new works of this size and type could not now be erected at a lower cost than Rs. 57 lakhs in round figures. Adopting the rate of $6\frac{1}{4}$ per cent., which we have taken in the case of the rolled steel industry, the annual charge on account of depreciation would be Rs. 3,56,250 or on an output of 2,500 wagons Rs. 142.5 per wagon.

45. The Company has supplied us with a statement shewing month by month the working capital actually required under each head in the calendar year 1925 during which the works were fairly fully employed in each month. During this year, some 1,450

Interest on working capital. wagons were completed. The average sum required as working capital was Rs. 13.5 lakhs. On the assumption that the annual output is 2,500 wagons, the working capital would need to be raised in proportion allowing for reduction in cost above material to about Rs. 22 lakhs. This represents about 4½ months works costs, and since most of the material is now obtained in India, while accounts are promptly settled by the Railway Companies this estimate of working capital appears sufficient. At the same time, normally both a portion of the profits made in the course of the year and of the depreciation fund would be available to be utilized as working capital; we consider an allowance of about Rs. 4 lakhs should be made on this account leaving the working capital at Rs. 18 lakhs. At the rate of 7 per cent. per annum, which was the rate adopted in the rolled steel industry, the annual interest on working capital would amount to Rs. 1,26,000 or Rs. 50.4 per wagon.

46. According to the Articles of Association the Managing Agents are entitled to charge Rs. 1,44,000 per annum as their commission. In practice they receive Rs. 72,000 which we consider a moderate charge for the services performed in which are included technical advice and supervision. Calcutta office expenses amount to Rs. 24,870 and London office expenses to Rs. 11,850, giving a total of Rs. 1,08,720 for 1925-26. We think Rs. 1,10,000 should be sufficient for a works producing 2,500 wagons annually. The incidence of this is Rs. 44 per wagon.

47. The share capital of the Indian Standard Wagon Company is now divided between preference and ordinary shares in the proportion of 2 to 1, the preference shares carrying interest at 7 per cent. per annum. Manufacturer's profit. We think, however, that the same rate of interest may be allowed as for the Tata Iron and Steel Company, *viz.*, an all round rate of 8 per cent. per annum. This gives an incidence of Rs. 182.4 per wagon.

48. The total of overhead and manufacturer's profit on a production of 2,500 wagons annually is thus as follows:—

	Total per wagon.
	Rs.
Depreciation	142.5
Working capital	50.4
Managing Agents' commission and office expenses	44
Manufacturer's profit	182.4

TOTAL	419.3

or Rs. 419 in round figures.

We have estimated the works cost on a production of 2,500 wagons to be Rs. 2,255 per wagon. Adding to this the charges for overhead and manufacturer's profit (Rs. 419), the total becomes Rs. 2,674 which is our estimate of the fair average selling price of a C-2 wagon manufactured in India.

49. The lowest approved tender received from abroad in November, 1925, for a C-2 wagon was £191-16-8 c.i.f. which converted into rupees at the rate of 1s. 6d. to the rupee amounts to Rs. 2,557·7. A rebate

Price of imported wagons. was allowed by the successful European firm amounting to about 2½ per cent. on the f.o.b. value of the order, which would reduce the c.i.f. price per wagon by about Rs. 57 to Rs. 2,500. Erection, landing, wharfage, and port charges in India, amount to Rs. 207, giving a final duty free price of Rs. 2,707.

50. We have now to consider whether there is any reason to suppose that the price of imported wagons is likely to fall below the present level. The price of a wagon in

Probable trend of price of imported wagon. 1913 comparable with the A-1 standard

wagons now used on Indian railways, has been given to us by the Railway Board as £186 f.o.b. and the four years pre-war average as £155. The lowest tenders for an A-1 class wagon f.o.b. during the years 1921 to 1925 have been as follows:—

	£	s.	d.
1921	241	0	0
1922	171	0	0
1923	181	0	0*
1924	179	10	0†
1925	176	0	0‡

It will be noticed that since 1921 the prices have been reasonably stable and are in fact lower than in 1913. We see no reason to vary the opinion expressed in our report of September, 1925 (paragraph 82), that the 1922 tender was a bed rock price rendered possible by cutting down costs to the minimum. The price of steel has fallen heavily during the past four years and had it been possible to produce wagons in England with a fair margin of profit at £171 in 1922, one might reasonably expect a tender well below that of 1925. It would certainly appear that uneconomic prices have been quoted in the past and it is possible that a similar course may commend itself to the foreign manufacturer in the future. Against any systematic price cutting, special measures would be necessary. But for our present purpose this possibility need not be considered. We have no reason to suppose that there will be

* Approximate estimate by Board in September, 1925.

† Approximate estimate without allowing for lump reduction.

‡ Without allowing for lump reduction.

any substantial decrease in labour charges in the engineering industry in Europe. In our report on rolled steel, we have found that prices of British steel are comparatively stable and though Continental prices may decline, the stabilization of exchange in most countries during the past year, removes one cause of abnormally low prices. In any case, the price at which Indian wagons can now be produced renders it unlikely that foreign makers will be able to sell at lower prices. We think, therefore, that for purposes of comparison it is safe to take the lowest landed duty free tender for a C-2 wagon in November, 1925, *viz.*, Rs. 2,707 which includes erection, landing, and other charges.

51. One modification, however, is necessary. We have framed our estimate of the fair selling price of Indian wagons, on the

Adjustment of imported
prices.

assumption that the price of steel will be equal to the import price in the first three months of 1926 *plus* the duties imposed by the Steel Industry (Protection) Act, 1927. But the foreign tenders received in November, 1925, must have been based on the price of steel prevailing some months earlier. Between August, 1925, and January, 1926, there was a fall of approximately 18 shillings or Rs. 12 a ton in the price of bars, structurals and plates. On the material used in the construction of a C-2 wagon, this would amount to about Rs. 84 and the lowest foreign tender received in November, 1925, for purposes of comparison should be reduced by this amount. The final landed price without duty of the imported wagon would therefore be Rs. 2,623. We have found the fair selling price of an Indian wagon to be Rs. 2,674. The difference between these figures, *viz.*, Rs. 51 represents the measure of the protection required. With the adjustment of Rs. 84 referred to above, and excluding erection, landing, and other charges, the c.i.f. price of the foreign wagon on which Customs duty is leviable is Rs. 2,416 on which the protection required, *viz.*, Rs. 51 amounts to about 2 per cent. A duty therefore of 2 per cent. would normally be sufficient protection.

52. At the time of writing this report, we have not received the costs of the Indian Standard Wagon Company for 1926-27 but it is

The Indian Standard
Wagon Company's costs
for 1926-27.

interesting to compare our estimate of a fair price for wagons manufactured in India on the basis of the costs for 1925-26 with the Company's results as indicated in their latest report. A profit of Rs. 10,44,675 is shown for that year on trading account. We are aware that a portion of this is profit realized on work carried over from the previous year and that there may be other adjustments not apparent from the audited balance sheet and profit and loss account. For our present purpose, however, we assume that this profit has been realized on the order for 1,750 wagons which was executed in the year. From the profit of Rs. 10,44,675 we deduct Rs. 78,905 the interest which has to be paid on loan. The balance (Rs. 9,65,770) on an output of 1,750 wagons gives an incidence of profit per wagon of Rs. 551. The average actual price received for these wagons taking C-2 and C-3

wagons together was Rs. 3,135 per wagon. Excluding the year's profit (Rs. 551) we find the cost of manufacture to be Rs. 2,584 per wagon. We compare this figure with our estimate in the following table:—

	Board's estimate per wagon. Rs.		Actuals per wagon. Rs.
Fair selling price . . .	2,674	Price received	3,135
<i>Deduct</i>			
Profit	182.4		551
	<hr/>		<hr/>
Cost of manufacture . . .	2,491.6		2,584

For the purpose of comparison however one adjustment has to be made. In the Company's report, Rs. 1,80,560 has been taken to depreciation, the amount being calculated on the capital as written down and not on the replacement value of the plant. If the full depreciation which we consider necessary on a plant valued at Rs. 57 lakhs were provided, the cost of manufacture per wagon would be increased by about Rs. 100. The difference between the cost of manufacture as estimated by the Board and as arrived at on a consideration of the Company's report of 1926-27, would then be Rs. 192.4. The increase in output from 1,750 to 2,500 wagons per annum would reduce the incidence of depreciation per wagon by Rs. 61, leaving Rs. 131.4 to be covered by economies in works costs on increased production and by the reduction in the duties on raw material. The latter alone amounts to about Rs. 79.5 per wagon, and it would appear, therefore, that judged by the latest results of this Company, there is nothing unreasonable in our estimate of the fair selling price of wagons manufactured in India on an economic scale or of the measure of protection which the industry requires.

53. Although we believe that a 2 per cent. *ad valorem* duty on imported wagons would be sufficient to protect the industry against foreign competition under normal conditions, it is not within our province to propose alterations in the revenue tariff.

No increase in duty recommended. Payment of bounties to cease.

It is claimed by the wagon building firms that they are entitled over and above the present revenue duty of 10 per cent. *ad valorem* on imported wagons, to compensation on account of the enhanced price of steel resulting from the protective duties. Such compensation would amount to about 3 per cent. *ad valorem* on the adjusted c.i.f. price of imported wagons. We do not, however, consider that this claim can be sustained. The revenue duty is admittedly variable according to the financial requirements of Government, and no claim to compensation lies in respect of changes in the nett assistance afforded by the revenue tariff unless it can be shewn that serious detriment is thereby caused to the industry. Where it is found that the protection necessary to give an industry a fair return on capital, is consider-

ably less than the existing revenue duty, in our opinion no claim for compensation can arise. There are circumstances in which an industry may reasonably claim that compensation on account of excess expenditure resulting from protective duties should be awarded in addition to the revenue duty existing when the industry was started. We do not, however, consider that any such circumstances exist in the case of the Wagon industry if the demand for wagons is assumed to be normal. In any case, the revenue duty in force on imported wagons when the latest company (the Indian Standard Wagon Company) was floated was only $2\frac{1}{2}$ per cent. *ad valorem*. We are unable, therefore, to support this claim of the companies and we have no recommendation to make for an increase in the existing duty on wagons. It follows from our estimate of the fair selling price and of the import price of wagons that there is no case for the continuance of bounties, and we accordingly recommend that the payment of bounties on wagons be discontinued.

54. We have not thought it necessary to examine the case for protection of underframes separately from that of wagons. The processes in both industries are the same, though the amount of forgings in a wagon

Underframes.

is greater in relation to the cost than in an underframe. The competition from abroad is less severe in the case of underframes, partly because the freight and other charges are greater, but largely because orders for underframes in the past have been for comparatively small numbers, and have therefore offered less inducement to the foreign manufacturer to tender. We find that, as recently as April, 1926, Messrs. Jessop and Company secured orders for 93 underframes without bounty and it has been admitted in evidence that the protection required for underframes is less than that required for wagons. On the other hand, if, as is possible, the types of underframes are standardized and orders are placed for larger numbers, foreign competition will tend to increase and to this extent the position of underframes will approximate to that of wagons. Our recommendations with regard to wagons will apply also to underframes. We therefore recommend that normally the duty on imported wagons and underframes should be fixed at the present revenue duty.

55. Throughout our enquiry, we have assumed that the charges for the erection of imported rolling stock and for landing, wharfage,

and port charges, as set forth in statements VII and VIII on pages 31 and 32, of Volume V of the Steel Report, 1926, which have been

Erection, landing, wharfage, and port charges.

accepted as reasonable by Indian manufacturers, remain unchanged. It is, however, not impossible that some variations in these charges may occur. It is only fair to Indian manufacturers that they should know the basis on which their tenders are to be compared with those of foreign makers. We therefore recommend that if any substantial alteration in these charges occurs, a definite announcement to that effect should be made when tenders are called for and the extent of the alteration should be specified.

CHAPTER V.

Measure of immediate assistance required.

56. So far the position of the Wagon industry has been examined on the assumption that orders are received sufficient to ensure continuous working up to existing capacity.

Immediate problem. Unfortunately, as has been explained in Chapter III, it is unlikely that the demand of the railways for wagons during the next three years will be adequate, and, though increased orders for underframes may be placed, on the whole the requirements of the railways will be considerably below the productive capacity of the industry. It is obvious that if the output of the companies is restricted, the fair selling price and consequently the scale of protection must be increased, but the information at our disposal is so meagre that we cannot attempt to estimate the amount of protection required save on the most general lines. Even so, certain assumptions are necessary. Unless a certain minimum of work is placed with the firms, no scheme of protection will be effective in maintaining the works in operation. Though the figures for 1928-29, supplied by the Railway Board, are stated to be fairly reliable, we have been definitely warned against placing reliance on the figures for future years. In these circumstances, we assume for the purpose of our enquiry that the orders for the next three years will be approximately the same as those for 1927-28.

57. Further, the method of estimating the amount of protection required by the industry on a consideration of the costs of the Indian Standard Wagon Company on their existing capacity, which we have followed in the previous chapter, is no longer suitable. Such orders as are placed are in the main for underframes, metre gauge wagons or special types of broad gauge wagons regarding the cost of which we have no recent information, while, as we have seen in an earlier chapter, the system of costing employed by the firms is such that it is impossible to separate the works costs and overhead charges of underframes from those of wagons with any certainty. We have, therefore, adopted the following system. We first determine the proportion which the orders for wagons and underframes in 1927-28, translated into terms of C-2 wagons, bear to the total capacity of the existing firms expressed in terms of C-2 wagons. Reducing the output of the Indian Standard Wagon Company (2,500 wagons annually) on which we have based our fair selling price, in this proportion, we then consider what changes in works cost and overhead charges are required and to what extent the protection must be raised in consequence. The results attained by this method are necessarily rough, but we think that a general indication of the amount of protection required may be obtained,

assuming that the orders available are distributed between the firms concerned in proportion to their capacity.

58. It is not improbable that with the elimination of the Peninsular Locomotive Company, competition will decline among wagon builders, and the probability of some

Method not unfair to consumer. kind of understanding between the remaining firms must be reckoned with. In this

event, it may be assumed that tenders will be made by the firms in some proportion determined by mutual agreement according to their respective capacity. If the output of the firms is distributed on this basis, their costs will not be higher than we have estimated for the purpose of this chapter, for our estimate assumes precisely his method of distribution. On the other hand, so long as the total demand for wagons during the next few years falls short of the full capacity of the firms, some degree of competition may still prevail. It may then happen that one firm may secure sufficient orders to keep its plant working to full capacity and its costs may fall below the fair selling price proposed on the above method. Competition among the remaining firms will consequently result in a general reduction of the price of wagons to a level below that justified by the duty and the level of foreign prices. If this happens, the burden on the consumer will be correspondingly reduced. In either event, the burden will not be greater than the interests of the industry require.

59. In August, 1926, the Indian Stores Department furnished us with the following estimates of the capacity of the wagon building firms:—

	Wagons.
The Indian Standard Wagon Company	2,400, C-2
Messrs. Burn and Company	1,200, A-2
Messrs. Jessop and Company	600, A-2

This estimate is based on the assumption that no underframes are being built. The Stores Department considers that in point of work 5 A-2 type wagons are equivalent to 6 C-2 type. In terms of C-2 type wagons, the total capacity of the Indian industry as given by the Stores Department would be 4,560 wagons annually. Since then there has been considerable development, particularly in the erection of plant at Messrs. Jessop and Company's Dum Dum works. The capacity claimed by the companies is as follows:—

	C-2 Wagons.	Underframes.
The Indian Standard Wagon Company	2,500	—
Messrs. Jessop and Company	1,500 to 1,700	—
Messrs. Burn and Company	1,500	200

Messrs. Jessop and Company's estimate of their capacity at their Jamshedpur works is about 500 wagons annually and at Dum Dum 360 underframes; taking one underframe as equivalent to 2½ C-2 wagons, this amounts to about 1,400 C-2 wagons. This estimate appears to us to be rather on the high side, and we think it would

be safer to fix their capacity as not more than 1,200 wagons which, in their latest application, they have stated to be the economic unit of production of their works. Messrs. Burn and Company completed in the last financial year 67 underframes and 1,000 A-2 wagons. This is equivalent to about 1,400 C-2 wagons. On the whole, therefore, we consider that the present capacity of the wagon firms is about 5,000 wagons annually.

60. Though the material in a metre gauge wagon is considerably less than in a C-2 wagon, the work involved in its construction is nearly the same. We think we shall not be far wrong if we take a metre gauge four-wheeled wagon as equivalent on the average to $\frac{4}{5}$ ths of a C-2 wagon. Classing all bogie underframes together, metre gauge as well as broad gauge, we consider that on the average a bogie underframe may be taken as equivalent to $2\frac{1}{2}$ C-2 wagons and some ratio between $2\frac{1}{2}$ and $2\frac{3}{4}$ may be adopted for bogie wagons such as a rail or timber truck, while a broad gauge four-wheeled underframe may be considered as equal to $\frac{4}{5}$ ths of a C-2 wagon. On these estimates the orders placed for 1927-28 would work out at about 3,000 or 60 per cent. of the capacity of all wagon works.

61. Assuming that the Indian Standard Wagon Company was manufacturing 60 per cent. of its economic output (2,500 wagons) *i.e.*, 1,500 wagons annually, the works costs would be considerably higher than the estimate which we have framed in the previous chapter. The cost of materials, fittings and castings would, however, remain the same. For convenience of reference these are set forth below:—

Materials.	Cost per wagon.
	Rs.
Steel	919
Castings	241
Vacuum brake	240
Other materials and stores	110
	<hr/>
TOTAL	1,510

62. As regards charges other than overhead, the best basis for our estimate appears to be the charges incurred in 1925-26, as set forth on page 158, Volume IV of the Steel Report, 1926. In that year, 1,445 wagons were manufactured, but, as we have already explained, these charges would not have altered materially had the output been 1,800 wagons. Subject, therefore, to certain modifications we may reasonably assume that the charges above material excluding overhead for 1,500 wagons will stand at about this level. After making the reductions in the expenditure on repairs and on fuel, as explained in Chapter IV, the total stands at Rs. 6,20,000. This figure requires further adjustment for reasons which we have already explained on account of the cost of making

additional forgings, which were previously purchased. Of the total of 1,445 wagons, these forgings were made for 425 and as we are now estimating the cost above material for 1,500 wagons, it will be necessary to add the cost of making forgings for 1,075 (*i.e.*, 1,500 less 425). We found the cost of making these forgings to be Rs. 56 per wagon. The additional expenditure is therefore Rs. 60,200 which, added to the total costs above material (Rs. 6,20,000), gives a figure of Rs. 6,80,200. This on an outturn of 1,500 wagons gives an incidence of Rs. 453 per wagon. More forgings are however being manufactured now than in 1925-26 and some further adjustment is therefore necessary. On the assumption that 2,000 wagons were being manufactured, the company estimated the additional charge on this account, excluding direct labour charges, at Rs. 48 (page 182, Volume IV, Steel Report, 1926), but this included Rs. 7 per wagon on account of extra staff which on a production of 1,500 wagons only, would not be necessary. On the other hand, with the manufacture of various types of wagons and with a reduction in output, it is not unlikely that some increase in cost may occur. On the whole, we think it safer to retain the figure at Rs. 48. The incidence of the cost above materials excluding direct labour charges will then amount to Rs. 501. To this has to be added the charges on account of direct labour, *viz.*, Rs. 354, giving a total above material cost of Rs. 855.

63. But some allowance must be made on account of the fact that orders placed will represent a greater variety in the types of wagons manufactured and the economies resulting from standardization will not be possible to the same extent as previously.

Increase in costs resulting from non-standardization.

In our capital account we make allowance for additions to the plant necessitated by the construction of metre gauge wagons. Other additional expenditure will be incurred mainly under direct labour which at present stands at Rs. 354 per wagon. In the oral evidence, it was stated on behalf of the Indian Standard Wagon Company that so far as the year 1927-28 is concerned, it would be possible to produce fairly economically since the orders placed were for considerable numbers of metre gauge wagons of the same standard types. It is possible, however, that in the future orders will be for more numerous and varying types as indicated by the orders approved for 1928-29 and by the estimates of the railway companies for the next two years. We observe on page 476 of Volume II of the Evidence recorded during the first Steel Enquiry that in 1909, 715 wagons all of one type were manufactured by Messrs. Jessop and Company. From the tender dated April 1908, on page 440 of the same Volume, it appears that the estimate of direct labour charges on this order was exceptionally low, being Rs. 204 against Rs. 380 per wagon for tenders made in July, 1904, and June, 1913. We realize that considerable time elapsed between these three tenders, and that it is not improbable that rates of wages may have changed, while the tenders, though all for broad gauge four-wheeled wagons, are

and profit are estimated on a block valuation of Rs. 30 lakhs sufficient provision will be made to enable the works of all three companies to continue in operation. To this, however, has to be added Rs. 70,000 for expenditure necessary to fit the works for the manufacture of metre gauge wagons. We think also an additional Rs. 60,000 should be allowed for other capital expenditure including the cost of new jigs and dies. We then obtain the following figures:—

	Rs.
Depreciation at $6\frac{1}{2}$ per cent. on Rs. 31,30,000	1,95,625
Incidence per wagon on an output of 1,500 wagons	130.4
Profit at 8 per cent. on Rs. 31,30,000	2,50,400
Incidence per wagon on an output of 1,500 wagons	166.9

66. As regards working capital, assuming that this would amount to four and a half months' production at works cost as above estimated, the total required would be Rs. 14,14,687. On referring to the Company's balance sheet, however, we find that the cash position is very strong, liquid assets amounting to about Rs. 7 lakhs. Liabilities appear fully covered by stores, stocks, works in progress, and book debts. Allowing for the use of profit and depreciation fund accumulated during the year, it appears unlikely that working capital in excess of Rs. $6\frac{1}{2}$ lakhs will be required. Calculating interest at 7 per cent. per annum, the incidence per wagon would amount to Rs. 30.3 against Rs. 50.4 with an output of 2,500 wagons. The charges on account of managing agent's commission and for the work performed by the Calcutta and London offices would remain constant at Rs. 1,10,000 giving an incidence of Rs. 73.3 per wagon.

The overhead and profit per wagon on an output of 2,500 and 1,500 wagons respectively are compared in the table below:—

Per wagon.	On an output of 2,500.	On an output of 1,500.
	Rs.	Rs.
Depreciation	142.5	130.4
Interest on working capital	50.4	30.3
Managing agent's charges, etc.	44	73.3
Profit	162.4	166.9
Total	419.3	400.9

67. The fair selling price of Indian wagons, on the assumption that the works are operating at 60 per cent. of capacity, is therefore:—

Assistance required.

	Rs.
Works cost per wagon	2,515
Overhead and profit	400·9
	<hr/>
TOTAL	2,915·9
	<hr/>

We have found the final duty free landed price (including erection charges) of an imported C-2 wagon to be Rs. 2,623. The difference between these two figures, *viz.*, Rs. 292·9 represents the measure of protection required. On a c.i.f. import price of Rs. 2,416 this would amount to over 12 per cent. *ad valorem*, and on our calculation 12½ per cent. would appear to be a fair measure of the protection necessary to maintain the industry until the demand for wagons revives.

68. We have stated that on the figures available we estimate that 12½ per cent. *ad valorem* on the c.i.f. price of imported wagons is a fair measure of the protection required

Recommendation that orders shall be placed in India only.

by the industry. We desire to make it quite clear, that we claim no exactitude for this figure. The future demand for wagons

is so obscure and the factors affecting the estimate are so varied that nothing more than a general indication of the requirements of the industry can be attempted. But we believe that in our estimate we have provided a sufficient margin to meet probable variations in the number and types of wagons ordered. We, therefore, cannot agree to the proposal of Messrs. Burn and Company and the Indian Standard Wagon Company that a duty of 17 per cent. should be imposed so long as the demand for rolling stock remains abnormal. What is required by the industry is, not so much protection by tariff as a steady stream of orders for rolling stock of standard types enabling the works to secure the economy resulting from mass production and continuous work. With the present restricted demand, we consider that it is of paramount importance to the industry that all orders should be placed in India. It may be that to ensure that all orders are secured by Indian firms in competition with foreign manufacturers, a duty higher than the difference between the fair selling price and the c.i.f. import price is required in the special circumstances which we are considering. At the same time, it must be recognized that if orders are placed by competitive tender received both from India and abroad, exceptional circumstances may occur which would result in orders being lost to Indian firms inspite of a higher duty. Even if the orders so lost were few, the effect on the Indian industry might be exceedingly unfortunate and in the case of the Indian Standard Wagon Company, which manufactures wagons only, might result in the closing of the works and

all the hardship which unemployment entails for the Indian staff. On the whole, therefore, we think it advisable to maintain the existing revenue duty of 10 per cent. and to arrange that all orders are placed in India.

69. The removal of all competition from abroad would naturally place Indian manufacturers in a strong position and it is not impossible that by combination, prices for rolling stock may be forced above a fair level. It appears, therefore, desirable to give some indication of the maximum price within which tenders should be accepted. For wagons we consider that the lowest approved c.i.f. foreign tender received in November, 1925, should serve as a general guide subject to the additions which we explain later. For special types of wagons adjustments will be necessary, but the level of prices in 1925 should form the basis of any estimate framed. Underframes are not standardized in the same way as wagons and variations in the specifications of different railways and consequently in price are considerable, while recent tenders from European manufacturers are comparatively few. We think, however, that the c.i.f. quotations for imported underframes received in April, 1926, may be taken as the basis for calculating a maximum price for Indian manufacturers, and that no real difficulty should be experienced in determining a fair price for different classes of underframes on the basis of these quotations. So far as wagon prices are concerned, allowance must of course be made for the lump sum reduction of £9,500 on the orders placed with the Metropolitan Carriage Wagon and Finance Company and for the adjustment on account of the fall in the price of steel in the latter half of 1925-26 for which we have allowed in paragraph 51 of the previous chapter. But since the c.i.f. prices of imported underframes on which we recommend that maximum prices should be calculated, are for a later period, *viz.*, April, 1926, no reduction on account of the fall in rolled steel prices will be necessary. Sterling prices would be converted at the rate of 1s. 6d. in the rupee. We draw attention to this point because in Statement VII on page 31, Volume V of the Steel Report, 1926, sterling has been converted at the rate of 1s. $6\frac{5}{8}$ d. a rupee. Both for wagons and underframes $12\frac{1}{2}$ per cent. should be added to the price so obtained as representing the addition which we consider necessary to secure on the average a reasonable price while orders for rolling stock are restricted below the capacity of Indian manufacturers. Further, our calculation has been based on the assumption that wharfage, landing, erection charges, and port dues for imported wagons and underframes, are as shown in statements VII and VIII on pages 31 and 32 of the volume referred to above. These charges must also be added and for the purpose of the calculation should remain unchanged. Unless any unforeseen circumstances occur which result in an appreciable increase in costs, the price so obtained should be regarded as indicating approximately the maximum price at which orders should be placed in India.

70. We have considered whether orders should be placed by competitive tender between firms in India or whether prices should

Method of placing orders in India. be fixed by negotiation between Government and the firms concerned. A system of fixed prices does not conduce to the development of the industry, and it is undeniable that competition makes for improvement in manufacture and for reduction of costs. It has been admitted by the firms concerned that the measure of assistance required for the manufacture of underframes is proportionately less than for wagons and since we have based our estimate on the cost of constructing wagons, it would follow that competition is desirable in the interests of the consumer. Even as regards wagons it would appear that the orders likely to be placed are sufficient to keep the works of the Indian Standard Wagon Company in operation. The plant of this Company is specially designed for the manufacture of wagons and cannot be adapted to the economic manufacture of underframes. We realize that it is of great importance that the Company should secure sufficient orders to continue in operation. But on a consideration of the costs of this Company, it would appear that it should have no difficulty in securing such orders as are available and, in any case, the Company cannot reasonably expect to be entirely immune from the ordinary commercial risks which attend an undertaking of this nature. We, therefore, consider that orders both for wagons and underframes should be placed by competitive tender among Indian manufacturers subject to the maximum prices which we have indicated.

71. As regards the period within which these arrangements should continue, it is impossible to specify any definite period during which orders should be placed in India only. The future demand of the railways for rolling stock is so uncertain that we are unable to place a time limit on our recommendations. We accordingly recommend that until the demand for underframes and wagons approximates to the equivalent of 5,000 C-2 wagons a year, the special arrangements which we have explained in this chapter should remain in force.

72. An impartial study of the present costs of the manufacture of wagons and underframes in India and of the results which have been achieved in the past three years, cannot but lead to the conclusion that the sole obstacle to the successful establishment of the Wagon industry is the lack of a stable market for its output. Provided a steady stream of orders for rolling stock is forthcoming, it should be possible in the course of a comparatively short period not only to manufacture in India wagons and underframes sufficient to meet all the requirements of the railways, but to produce them at a price which will result in substantial economy in railway expenditure. We cannot too strongly emphasize the importance both from the point of view of the industry and of the future financial advantage of the rail-

Suggested anticipations of railway requirements.

ways, of so regulating the demand for rolling stock as to ensure that orders shall be placed with the wagon companies regularly and continuously. We think the figures which we have set forth in Chapter IV regarding the fair selling price of Indian wagons, may present the problem raised by the restriction of railway demand for rolling stock in a somewhat new light. By encouraging the industry it should become possible within a comparatively short period to secure wagons at a price considerably lower than that of the imported article. It is obviously, therefore, a matter of considerable national importance to maintain and develop this industry. Even from the point of view of railway finance, it may prove a sound proposition to anticipate as far as possible the future requirements of railways in the matter of wagons and underframes so as to enable the Indian industry to secure a sufficient and steady output. Further, if lower prices can thereby be secured, it may well prove economical to replace some of the older types of rolling stock. We recommend that both these aspects of the case should be carefully considered. It is not improbable that, if the present position of uncertainty continues, the demand for wagons, when it revives, may prove to be in excess of the productive capacity of Indian manufacturers. If it should then become necessary to place orders abroad at prices not below or even above those at which rolling stock could be manufactured in India, a most unfortunate impression would be created, the effect of which would not be confined to the Wagon industry.

tent the Company would be in a better position than the figures for our typical wagon would indicate. As a manufacturer, therefore, the Company is at no disadvantage in the matter of Customs duty and we are of opinion that no case has been made out for any concession.

76. The application in regard to locomotive material stands on a somewhat different footing. Owing to the purchase by Government of the works of the Peninsular Locomotive Company, our enquiry into this industry has been dropped. The application

from the Bombay, Baroda and Central India Railway Company was received too late for the Board to conduct a specific enquiry into the claim. So far as material for locomotives is concerned, we prefer therefore to express no opinion at this stage. If the Railway Company desires to press its claim, it will be for Government to consider whether the matter should be referred specifically to the Board for enquiry as a question affecting all railways which manufacture or repair locomotives.

77. There is one other matter which we find it necessary to consider. Messrs. Burn and Company suggest that the practice of placing no orders in excess of the capacity of the works as certified by the Indian Stores Department should cease. We consider that this system of certification was essential under the bounty system, when the policy as accepted by the Legislative Assembly and embodied in the Steel Industry (Protection) Act enjoined on the executive the encouragement and development of the Wagon industry. It would clearly not have been in accordance with this policy if orders were placed in excess of the capacity of one firm, while another firm received insufficient orders to permit of economical production. In normal circumstances, however, when the wagon companies can expect no further assistance than is conferred by the revenue duty, it is undesirable to take any step which may result in raising prices by restricting competition. The Indian Standard Wagon Company brought to our notice a case in which they tendered for the manufacture of 2,000 wagons at a price which they considered would be reasonable for that number. They received an order for 1,750 wagons at the price tendered for 2,000, the ground for the reduction in the order being that the Indian Stores Department had certified their capacity of production at 1,750 wagons. We do not propose to discuss the merits of this case, but we desire to point out that if orders are restricted to the certified capacity of a firm, tenders are likely to be made at a higher figure than would be the case if orders are placed with the lowest tenderer up to the limit of the tender. No further measures are needed to ensure punctual delivery beyond penalties for late delivery. If these are rigorously enforced, they should be sufficient to deter firms from tendering beyond their capacity for delivery.

Our conclusions regarding the Wagon building industry in India are summarized in paragraph 121.

*Part II.—Component Parts:
Forgings, Steel castings and
Spring Steel, Bolts and Nuts.*

CHAPTER VII.

Component parts: Forgings, Steel Castings and Spring Steel, Bolts and Nuts.

78. Having recorded our conclusions in regard to the protection required for the manufacture of wagons and underframes, we now

turn to consider the question of component parts. These may be classified under three heads, viz.:—

- (1) Forgings.
- (2) Steel Castings and Spring Steel.
- (3) Bolts and nuts.

I.—Forgings.

79. In regard to the first, we have received applications from Messrs. Burn and Company and the Indian Standard Wagon Company claiming that the duty be enhanced from 10 per cent. to 25 per cent. *ad valorem*.
Claim for Tariff equality.

We have also received a representation on the same subject from the Angus Engineering Works which in some respects is different from the other applications. While this Company supports the application of the wagon-building companies for an enhancement of the duty on imported wagons, on the supposition that the duty on forgings and fittings will be enhanced to the same level, it puts forward as its minimum demand a claim that the duties paid on its raw material (rolled steel) should be so reduced or in the alternative that the duty on imported forgings should be so enhanced, as to leave the Indian manufacturer and his foreign competitor on an equality in the amount of duty paid. As regards the request for tariff equality, the position is now different from that existing when the Angus Engineering Company submitted their application. The steel from which forgings are manufactured is in the form of bars of British standard specification on which a specific duty of Rs. 40 per ton was then in force. Under the Steel Industry (Protection) Act of 1927, this duty has been reduced to Rs. 26 a ton. Referring to the schedule submitted by the Company (page 488, Volume IV, Steel Report, 1928, it appears that with a specific duty of Rs. 40 per ton on British bars, the duty paid by the Indian manufacturer on the steel required to manufacture fittings for 100 wagons amounted to Rs. 672-10, while the duty paid on the same quantity of imported finished articles at 10 per cent. *ad valorem* amounted to Rs. 672-10. The Indian manufacturer was thus at a disadvantage of Rs. 354-4-2 compared with the foreign manufacturer. With the present specific duty of Rs. 26 per ton on British bars, this ground for complaint is removed. The duty on imported raw material for the same quantity of fittings becomes Rs. 418-5-10, while, subject to a change in rates.

that on imported finished goods remains the same, *viz.*, Rs. 472-6-1. On balance, therefore, the Indian manufacturer is left with an advantage of Rs. 54 in respect of Customs duty over his foreign competitor and one obstacle to the production of wagon fittings in India has thus disappeared.

80. In investigating the cost of manufacture of wagon forgings, we are confronted by difficulties similar to those which we experienced in our examination of the cost of production of wagons and underframes.

Claim for substantive protection.

These have been set forth in detail in Chapter IV of this report, and we need make but a brief reference to them at this point. None of the firms from whom applications have been received, is engaged in the manufacture of wagon forgings only. Messrs. Burn and Company and the Indian Standard Wagon Company, undertake their manufacture mainly as a process subsidiary to the production of wagons and underframes, while the Angus Engineering Company undertake the manufacture of spare parts for jute machinery in the same works; indeed their representative admitted in evidence that the production of wagon forgings was commenced mainly in order to carry part of the overhead charges of the plant, which, on account of the restricted demand for jute machinery, would otherwise remain idle. It has, therefore, proved impossible to ascertain the replacement value of the plant employed in connection with this branch of the engineering industry or to assess reasonable depreciation or a fair measure of profit. The allocation of general charges as between the manufacture of forgings and other products, also presents great difficulty, while complications arise, as we have already explained, in connection with the carry over of work in progress from one year to another. The production of forgings at the present stage is, in fact, merely a process incidental to the manufacture of wagons and not a separate industry. Even in the Angus Engineering Works, where wagons are not constructed, the production of forgings is subsidiary to the manufacture of jute machinery. It appears to us, therefore, impossible to enquire into this branch of manufacture as though it were a separate industry, and any attempt to ascertain the costs of production or the fair selling price of forgings would in our opinion be fruitless.

81. We have, however, some reason to suppose that the manufacture of forgings requires no assistance by way of protection at present. Messrs. Jessop and Company, who

Protection unnecessary for the manufacture of forgings.

up to present have not manufactured many forgings, have not applied for protection, but the evidence which they have tendered in this matter (pages 350-352, Volume IV, Steel Report, 1926) indicates that considered merely as a branch of the Wagon industry, no separate protection for forgings is needed. Messrs. Burn and Company have also stated (page 237, Volume IV, Steel Report, 1926) that they consider that whatever measure of protection is suitable for wagons would be approximately suitable for forgings also. It appears to us, therefore that at present the manufacture of wagon

forgings should be regarded merely as a branch of the Wagon industry and that the same duty should be imposed on imported forgings as we have proposed in the case of wagons and underframes. During the next few years, when the demand for broad gauge wagons will be small, the market for wagon forgings also will be restricted. We have not been able to obtain sufficient information on which to base an accurate estimate of a reasonable price for forgings manufactured in India. We think it important, however, that orders for forgings as spare parts should continue to be placed in India as far as possible, and that in comparing Indian with foreign prices an allowance of $2\frac{1}{2}$ per cent. above the revenue duty should be made.

II.—Steel Castings and Spring Steel.

82. We have received an application from the Hukumchand Electric Steel Works claiming that protection should be granted to

Application for protection for spring steel and steel castings.

the manufacture in India of spring steel and steel castings. The firm is a private one owned by Sir Sarupchand Hukumchand and is the only undertaking in India which at present manufactures steel castings for sale by the electric process. Spring steel has not as yet been produced on a commercial basis, but we have been informed that exhaustive experiments have been carried out as to the suitability of the steel produced by the Company for rolling into spring steel bars, that the results have been found satisfactory and that a rolling mill is being erected and will be started in the near future.

83. In the report on the grant of protection to the Steel industry in 1924, the Board set forth in detail the process of manufacture of

Spring Steel.

steel castings adopted by the Hukumchand Electric Steel Works and it is unnecessary therefore to explain it further. The claim for protection for spring steel, however, is entirely new and a brief indication of its nature and of the method of production as employed by the Hukumchand Electric Steel Works appears desirable. Spring steel, as its name implies, is steel of a special quality suitable for the making of springs; it is also used for the manufacture of certain tools with a special degree of hardness. The chief raw material used in its manufacture is the same as for steel castings, *viz.*, steel scrap. Liquid steel of a quality suitable for the manufacture of spring steel can be made in the same electric furnaces as are used for the production of liquid steel for castings, and it is the intention of the Company to use the existing furnaces—at any rate in part—for this purpose. The liquid steel from the furnaces is cast into steel ingots which are then rolled in the rolling mills into spring bars of various kinds and sizes.

84. Throughout this report it is necessary to bear in mind the very close connection existing between the manufacture of steel castings and of spring steel by the electrical process. We are not here concerned with the alternative method of production by the “converter” process, which is employed by

Manufacture of castings and spring steel interdependent.

the Bombay, Baroda and Central India Railway at their workshops at Ajmere and we believe also by the Kumardhubi Engineering Works. In this process the chief raw material used is pig iron and not steel scrap. Owing to the excess of phosphorus in Indian pig iron, it is not suitable for this process and imported pig iron must be used. It is clear that this process promises few natural advantages for manufacture in India and a claim for protection could not be substantiated. In the industry as at present organized and employing the electric process, the costs of producing both steel castings and spring steel are largely dependent on the cost of producing liquid steel, and unless the melting furnaces are worked continuously and to full capacity, it is impossible to keep the cost of liquid steel at a reasonable level. As we shall show later, it is improbable that the demand for castings at present will be sufficient to keep more than one electric furnace fully employed. The Company's plant at present comprises two furnaces and their equipment, having a total capacity of 4,500 tons of castings a year. It would, therefore, be apparently of great advantage for its future economical working that the manufacture of spring steel should also be undertaken. Not only will considerable economies be thereby effected, particularly in the charges for electricity, but an appreciable reduction in overhead charges will also be possible. The demand for steel castings and spring steel in India, although larger now than when we made our first enquiry into the Steel industry, is not sufficient for a new firm to undertake the manufacture of either of these products by itself on a commercial scale for some time to come. It appears desirable, therefore, for the purpose of this enquiry to treat the manufacture of steel castings and of spring steel together as a single industry, and so far as possible to consider the claim for protection from this point of view.

85. In these circumstances, it might not unreasonably be urged that it is unnecessary to investigate separately the question whether the manufacture of spring steel satisfies the conditions laid down by the Fiscal Commission for the grant of protection. On all material points, such as the natural advantages of the industry and in particular the supply and price of raw material, the case for the grant of protection to the manufacture of spring steel and steel castings is the same. As we have already explained, the same plant is employed for the manufacture of both products up to the liquid steel stage. Thereafter the manufacture of spring steel requires a rolling process; but this is not dissimilar from that employed in the Tata Iron and Steel Company's works and there should be no insuperable difficulty in obtaining or training the skilled labour required for the rolling mills. So far as the question of national defence is concerned, the fact that spring steel is manufactured at the Ishapore Government Factory, indicates that the industry is of some importance from the military point of view. Further, it appears that inasmuch as spring steel as well as steel castings manufactured by the electric process affords a market for steel scrap, it may be regarded in a sense as complementary to the rolled steel and engineering indus-

tries and in consequence deserving of encouragement. Save in regard to the question of the extent of the demand for steel castings, we found in our first report that the prospects of the industry were not unfavourable, and in the course of the present enquiry we have found no reason to depart from our previous conclusion that in other respects the industry was suitable for protection. Both in regard to the manufacture of steel castings and of spring steel, therefore, we propose to confine our discussion to the single issue on which no conclusion was possible during our first enquiry, namely, the extent of the demand for these products in India.

86. The most important change in the conditions affecting the market for steel castings is the rapid development of the Wagon building industry since 1924. Under the stimulus of the bounty system adopted by Government, the firms engaged in the manufacture of wagons have greatly increased their output and though the demand for wagons for the next few years is uncertain, the number of wagons and underframes normally required by the railways will be considerably in excess of that anticipated by the Board in 1924. If the orders for wagons and underframes which, it has been announced, will be placed in India for delivery in the year 1927-28 be taken as typical of the annual requirements of the railways for the next few years, it may be expected that a total of over 1,000 tons of castings will be required for their manufacture. The replies received from the Railway Companies to our questionnaire indicate that their requirements for replacements of axle boxes and other castings amount to at least 1,000 tons a year. Thus the total effective demand for steel castings may be stated as follows:—

	Annual demand.
	Tons.
Steel castings for wagons and underframes manufactured in India	1,000
Requirements of railways for replacements	1,000
General Engineering	500
	<hr/>
TOTAL	2,500
	<hr/>

This estimate assumes that the manufacture of castings required for wagons in India will not be undertaken by the wagon builders themselves. The assumption appears reasonable since we were informed in the oral evidence by the representative of the Indian Standard Wagon Company that the suggestion that they should undertake the manufacture of castings had been considered and rejected. No allowance has been made on account of the probable replacements of cast iron axle boxes by cast steel or for the introduction of automatic centre buffer couplers. We think therefore it would be safe to assume at present an annual demand of at least 2,500 tons of castings. The annual capacity of one of the Steel

Company's electric furnaces and equipment is 2,250 tons a year and our enquiries lead us to think that if the Company is able to work even one furnace to its full capacity, it will be able to carry on the manufacture of steel castings with little more assistance than the revenue duty. It must not, however, be expected that the Electric Steel Works will be able to secure the whole of this market immediately. From 1922 to 1925 when Continental competition became exceptionally severe, the Company increased its market for steel castings by approximately 250 tons a year. If protection were now granted, the potential demand for Indian steel castings would be greatly increased, but time would be required for it to become effective. Further, increased output to meet the demand could only be effected gradually as trained labour became available. For these reasons, we consider that some years must elapse before it would be possible to operate even one melting furnace to its full capacity, viz., 2,250 tons annually, and so secure an economical scale of production.

87. In the meantime, the Company proposes to undertake the manufacture of spring steel, and according to the statement in the Demand for spring steel. Company's application for protection, the required plant is already in process of erection. The market for this class of steel is considerable and the imports disclose an expanding tendency having increased from 3,500 tons in 1923-24 to 5,600 tons in 1926-27. The immediate demand for spring steel manufactured in India is not likely to be large. The market must first be organized, trade connections built up and trade prejudices overcome. It is impossible to forecast the rapidity with which the market may develop and the consequent output and costs of production of the steel works in the next few years. In the meantime, the production of spring steel will assist in securing that at least one melting furnace works to full capacity and to this extent will aid in reducing the cost of production of steel castings.

88. Our general conclusion, therefore, is that the demand for steel castings is sufficient at present to provide for the continuous working of at least one electric furnace if all General conclusion as to market. orders are placed with the Steel Company and on this output the Company would probably be able to dispense with assistance other than that afforded by the revenue duty. But the Company cannot hope to secure the whole of this business immediately and some time will be required both to organize the market and to expand production. In the meantime the manufacture of spring steel will reduce the works costs of steel castings though it is impossible at present to forecast the probable amount of the reduction. Taking a somewhat longer view, we believe that with the increased requirements of the railway companies for rolling stock, the substitution of steel for cast iron axle boxes, the possible introduction of automatic centre buffer couplers for railway wagons and the expansion of industry generally, there should be in time a market for all the steel castings and spring steel that the Company can produce. We have received

evidence that although in point of appearance and finish, the castings manufactured by the Hukumchand Electric Steel Works have not been entirely satisfactory, the number rejected as unserviceable is comparatively small. The number of axle boxes ordered for the State Railways and finally rejected amounts only to about 3 per cent. We consider, therefore, that a case has been made out for the grant of protection.

89. We think that on general grounds it may be held that the protection granted to the rolled steel industry, may reasonably be extended to spring steel. At the same time,

No estimate possible of protection required for spring steel. as we have explained in the last paragraph, it is impossible to foresee the probable out-

put of spring steel in the first years of production and no estimate of future costs can be drawn up for which reasonable exactitude could be claimed. Moreover, since the manufacture of spring steel has not yet been commenced on a commercial basis, information as to existing costs is not forthcoming; any attempt, therefore, to determine the amount of protection which the industry needs would manifestly be doomed to failure. It is true that the Company has furnished us with a statement of the present cost of manufacture but on examination it is evident that this is merely a conjectural estimate. The two largest items in the cost of production are the cost of liquid steel and rolling charges. The former has been taken by the Company at the present figure for liquid steel on a production of 700 tons of steel castings while the latter have been estimated at the same figure as that charged for rolling spring steel at the Government factory at Ishapore. It is obvious that with no certainty as to the output of spring steel in the early years of production, no estimate of the cost of liquid steel would be valid for our purpose; nor can we accept the works costs at a Government factory as a reliable indication of the level which should be considered reasonable for an industry worked on a commercial basis. There is thus no secure foundation on which definite proposals could be based, and we have no recommendation to make at present for the protection of spring steel. We understand, however, that in the Tariff Schedule spring steel bars are classed with other rolled steel bars and are liable to a protective tariff of Rs. 26 per ton if of British and Rs. 37 per ton if of foreign manufacture. Previously spring steel of all kinds including bars was subject only to a revenue duty of 10 per cent. *ad valorem*. Under the present arrangement, the increase in the duty on spring steel gives the Company a small measure of assistance, which they did not receive at the time their application was presented and to this extent their position is improved.

90. The production of steel castings at the works of the Electric Steel Company during 1925-26 was approximately 700 tons a year.

Basis of estimate of future works costs of steel castings. As we have already stated, until that year there was a steady increase in output of about 250 tons a year, and although during the year 1926-27 the output fell to about 470 tons, the decrease was

93. With a production of less than 9,500 cwts. in 1926-27, the labour force was not fully employed. As explained by the Company, the men employed on moulding, who require special skill, could not be employed on other work, while had the number been reduced, it might have proved difficult to replace them later. As compared with the present labour force, it is estimated that a 50 per cent. increase would be necessary for the production of 1,500 tons of castings annually. This would give a reduction in costs of approximately Rs. 5-8-0 per cwt. which appears to be a fair estimate of the probable economy under this head.

94. On an output of 1,500 tons a year some increase in staff for supervision is necessary. Allowing, as is claimed, an additional Rs. 6,000 annually on this account, the incidence per cwt. would amount to Rs. 1-0-8 against the 1926-27 incidence of Rs. 2-8 giving a reduction of Rs. 1-7-2 per cwt.

95. With increased output, a reduction in the melting loss of raw materials will result from more rapid melting and less oxidation of the metallic charge; a saving of 2 annas per cwt. is estimated under this head. A small saving of one anna per cwt. may also be accepted under the head 'repairs and relining' since with continuous working furnace linings have a longer life.

96. So far we have dealt with the Company's estimate of the economies which may be anticipated if the production of castings is raised to 1,500 tons annually. There are, however, two sources of saving which have been overlooked. The incidence of steam coal and coke in 1926-27 was Rs. 1-6 per cwt. These are used for heating the annealing furnace and it is clear that with continuous working, a considerable economy in fuel is possible. The difference between the costs under this head in 1925-26, when the incidence per cwt. was Rs. 1-3, and those in 1926-27 in spite of a fall in the price of steam coal, proves conclusively that with an increase in production, an appreciable saving can be effected. On the whole, we consider that with an annual output of 1,500 tons, a reduction of Rs. .6 on the 1926-27 figure is possible.

97. In May 1926, it was stated in evidence (page 448, Volume IV, Steel Report, 1926) that the charges for moulding composition could be decreased, as there was considerable waste by the workmen. Although, however, the price of moulding composition has fallen from Rs. 16 per ton in 1925-26 to Rs. 15 per ton in 1926-27, the incidence per cwt. of finished castings remains the same, viz., Rs. 2-3. It will of course take time to ensure sufficient care on the part of the workmen to secure the saving at which the works manager aims, viz., one third of the charge, but in view of the reduction in price we consider that a decrease of at least Rs. .6 is possible.

98. We now sum up our conclusions as to works costs. The works costs of 1926-27, as furnished by the Company, amount to Rs. 26.92 per cwt. of finished castings. On this the following savings are possible:—

	Rs.
Electricity	1.2
Labour	5.5
Supervision	1.72
Minor savings . . . . .	.2
Coal and coke . . . . .	.6
Moulding composition . . . . .	.6
<hr/>	
TOTAL	9.82

The works cost in the future on a production of 1,500 tons of castings a year is, therefore, estimated at Rs. 17.10 per cwt. We have made no allowance on account of a reduction in the cost of liquid steel consequent on the utilization of the furnaces in connection with the manufacture of spring steel. As we have already stated, the output of spring steel is extremely uncertain and we should find it difficult to estimate its effect on the cost of steel castings. Further, we have not been able to recommend protection for spring steel, and in the circumstances we think it not unreasonable to allow the Company to retain the advantage of any reduction in costs resulting from a rapid development in the manufacture of spring steel.

99. Overhead charges fall under three heads:—

	Depreciation,
Overhead charges. De-	Interest on working capital, and
preciation.	Head Office expenses.

It was admitted in the course of the oral evidence that the present replacement value of the fixed assets amounted to Rs. 6 lakhs. This represents a reduction of about 40 per cent. on the total book value, consequent on the fall in the cost of plant and equipment since the establishment of the works. We consider this valuation not unreasonable. But the present plant includes two electric furnaces, whereas for a production of 1,500 tons of castings one furnace only will be required. In estimating both depreciation and profit, some allowance must be made on this account and we consider that a reduction of Rs. 50,000 would not be excessive. Taking depreciation at the usual rate of $6\frac{1}{4}$ per cent. on fixed assets of Rs. 5,50,000, the incidence per cwt. falls at Rs. 1.14.

100. Almost all the raw materials required for this industry can be obtained locally and it is unnecessary therefore for large stocks to be held. On the whole, we think that working capital calculated at six months production of castings at our estimate of works cost should be sufficient. Working capital would then amount to Rs. 2,56,500 which, with interest at the rate of 7 per

Working capital and
head office charges.

cent. per annum, would give an incidence of Rs. '60 per cwt. Head office expenses have been stated by the Company to be Rs. 59,148 in 1925-26. This amount may appear excessive, but the charge includes not only the salaries of the clerical staff, advertising and other general expenses, but also the manager's salary and other items such as rent, rates, and taxes. With the increase in production to 1,500 tons annually, we think this charge might stand. On this the incidence per cwt. would amount to Rs. 1-97.

101. The remaining element in the fair selling price for steel castings is the manufacturer's profit. The rate accepted by the Board in the case of the rolled steel industry was 8 per cent. and we see no reason to propose any variation. On a capital of Rs. 5,50,000 the incidence of profit would thus amount to Rs. 1-47 per cwt. The fair selling price for steel castings may thus be stated as follows:—

	1 s. per cwt.
Works costs	17-10
Depreciation	1-14
Interest on working capital	'60
Head Office expenses	1-97
Profit	1-47
TOTAL	22-28

102. Axle boxes are medium castings, neither very heavy nor very light, and constitute the most numerous single product manufactured by the Electric Steel Works. Of the 7 cwt. of steel castings required for the manufacture of a railway wagon, about 3 cwt. represent the weight of the axle boxes. We, therefore, take this casting as typical of steel castings for railway rolling stock and propose to base our scheme of protection on the import price of axle boxes. Continental castings are imported into India at a price much below that of British castings, but so far as we have been able to ascertain, the quality of both is the same although British castings are of superior finish. In fact, the Indian wagon builders now obtain practically the whole of their requirements of steel castings from the Continent. The quality of imported steel castings from all sources being the same, it is clear that the competition will be almost entirely from the Continent and the Indian industry will not be adequately safeguarded unless the scale of protection is based on the import prices of Continental castings. We have ascertained from the wagon building firms the c.i.f. price of typical imported Continental axle boxes measuring 10" by 5" early in 1926. If allowance is made for the fact that Messrs. Jessop and Company's quotation is for an axle box with lid only, but including duty and landing charges, while that of Messrs. Burn and Company is for axle boxes with all fittings except bearings but without duty or landing charges, the price given by both firms is practically the same, viz., Rs. 18-78 c.i.f. for an axle box machined,

complete with fittings but without brass bearings. To this has to be added landing charges, Rs. .2 per cwt., giving a total duty free price of Rs. 18.98 per cwt. But while axle boxes are imported machined with fittings, those supplied by the Electric Steel Works are rough castings without fittings. To obtain an import price comparable with the cost of manufacture of castings in India, the cost of machining and of the fittings, which is estimated at Rs. 5, must be deducted. The comparable price of an imported axle box weighing 86 lbs. in castings only is, therefore, Rs. 13.98 or Rs. 18.20 per cwt. We have considered to what extent this price requires adjustment in view of the later prices which we have received. From the prices received from the Indian Stores Department (letter, dated 31st May, 1927), it appears that throughout the latter half of 1926 much lower prices prevailed. But at the commencement of 1927 prices commenced to rise, and the February c.i.f. quotations for a broad gauge I. R. C. A. goods wagon axle box 10" by 5" was Rs. 16-11-7 corresponding to an f.o.b. price of £1-11-0 per cwt. Since then the price of all castings has somewhat risen and prices have reached again practically the same level as in the early part of 1926. Since broad gauge wagons are not now being manufactured in India, we have not been able to obtain quotations from wagon building firms. But we were informed by the representative of the Hukumchand Electric Steel Works in April, 1927, that the price of underframe castings was the same as prevailed in January, 1926. We think, therefore, the price which we have taken, *viz.*, Rs. 18.20 per cwt., represents a fair average landed duty free price for imported steel castings. We have found the fair selling price for Indian steel castings to be Rs. 22.28. The amount of protection required is, therefore, Rs. 4.08 per cwt.

103. If this conclusion is accepted, it will appear that in addition to the existing revenue duty of 10 per cent. *ad valorem* on imported

castings, further assistance, whether by way of bounty or duty, to the extent of Rs. 2.26 per cwt. of steel castings will be needed. We do not, however, recommend that this assistance should be extended to the manufacture of all steel castings. The output of the Company of castings for general engineering purposes roughly represents about 25 per cent. of the total production, and the orders received for such castings, though limited in number, are placed as a rule at a fairly remunerative price as they are required generally for urgent replacements. Further, there are serious administrative difficulties in the way of assessing either a duty or a bounty on steel castings manufactured for general engineering purposes. These are frequently imported as parts of machinery and the task of distinguishing and appraising such castings would throw a heavy task on the Customs Department. We, therefore, think it advisable to assess the protection required by the industry on the steel castings supplied as component parts of rolling stock. In view of this restriction and of the fact that on locomotive castings the duty is lower, we would raise the measure of protection required in excess of the revenue duty from Rs. 2.26 to Rs. 2.50 per cwt.

104. It is now necessary to determine the form which the protection, which we have recommended, should take. In our report on

Form of protection. rolled steel, we referred to the disadvantage of a system of bounties where the prices of imported articles are liable to frequent changes. Recently, however, the French and Belgian exchanges have become comparatively stable and one cause of the violent fluctuations in the price of steel castings in the past has thereby been removed. Though we do not ignore the possibility of further variations in the price of imported steel castings, we believe that even should such variations occur, the industry is not likely to be so seriously affected as to render immediate action by way of off-setting duties necessary. There are, moreover, special circumstances which render a system of protective duties inappropriate to this particular industry. We have recommended that the 10 per cent. *ad valorem* revenue duty on wagons and underframes should not be increased and it is obviously convenient administratively that the duty on the component parts of such rolling stock should be fixed at the same level.

105. We have received evidence that it will be possible for the Customs Department to distinguish between castings imported as replacements or spare parts for rolling stock and similar castings imported as component parts of a complete wagon. But considerable additional work would thereby be involved and the Collector of Customs, Calcutta, has informed us that additional staff would be required. The cost of such staff at the various ports in India would probably amount to Rs. 35,000 annually. Under our proposals, the total assistance to the Electric Steel Company would not on the average exceed Rs. 60,000 a year and the additional expenditure involved by the imposition of duties is thus out of all proportion to the benefit conferred. Further, the grant of a bounty in this case is not open to objection on financial grounds as imposing an excessive or indeterminate charge on public funds. We propose that the period of protection should be comparatively short, while the charge on Government revenues will be small. As we have already stated, the Indian Stores Department in the ordinary course of its duties inspects all steel castings supplied for the rolling stock of State Railways and the Department should experience no difficulty in arranging for the verification of sales for Company managed railways also. On a consideration of every aspect of the case, we are satisfied that the most economical and convenient method of assisting the manufacture of steel castings is by the grant of a bounty and we accordingly recommend that protection should be extended in this form.

Protection to be given by bounty.

106. We have already indicated our view that the period of protection should be comparatively short. If the Company works one electric furnace to full capacity, 2,250 tons of castings can be produced annually. On this output the incidence of overhead and profit charges would be decreased by at least Rs. 1.53 per cwt. allowing for increase in working capital. We have found that on an output of 1,500 tons

Period of protection.

of castings, protection of Rs. 4.08 per cwt. is required. Allowing for the revenue duty of 10 per cent. which amounts to Rs. 1.82 per cwt., in order to enable the industry to compete on equal terms with imported castings on the basis of the revenue duty only, it will be necessary to reduce works costs by under Rs. 1 per cwt. We think it not improbable that this reduction can be effected in three years, particularly in view of the fact that the cost of liquid steel, according to the Company's statement, will by that time be lessened on account of the manufacture of spring steel. This is a possibility which we do not feel justified in ignoring. Another point to which attention must be drawn is the inadequate sales organization of the Company. Prices appear to be fixed not on a competitive basis so much as on a consideration of the present cost of production on a very limited output. It is of the greatest importance for the future of the Company that close touch should be established with the Continental market for steel castings and the prices at which import into India is possible should be accurately ascertained. On the basis of this information, it will be possible to determine what programme of manufacture must be undertaken, if competition is to be met effectively. The industry at present works in a circle; prices are fixed on the basis of present costs and costs cannot be reduced because prices are too high to secure orders sufficient to ensure an economic output. We believe that our proposals will enable the industry to escape from this vicious circle, and that with reasonable efficiency and a progressive policy in the sales department, it should be possible to establish the industry on a firm basis within three years.

107. We have estimated the measure of the protection required by the industry on the assumption that an average output of 1,500 tons of castings will be attained during the next three years. Of this amount, about 1,200 tons will probably be in the form of castings for railway rolling stock and on our proposals the assistance to the industry will be limited to a bounty of Rs. 2-8-0 per cwt. on these. The average annual bounty during the three years would thus be Rs. 60,000. We do not, however, recommend that the annual payment should be restricted to this amount. It is not improbable that by a rapid increase in output, rendered possible by utilization of the bounty to the full extent and by an adequate sales organisation in the first two years, protection may be rendered unnecessary sooner than we have anticipated. We, therefore, recommend that on all steel castings manufactured by the Hukumchand Electric Steel Works for railway wagons, underframes and locomotives during the period October 1st, 1927, to September 30th, 1930, a bounty of Rs. 2-8-0 per cwt. be paid to the Company, subject to a maximum of Rs. 1,80,000 for the whole period.

III.—Bolts and Nuts.

108. We have received applications for protection for the manufacture of bolts and nuts from three firms, viz., Messrs. Henry

Williams (India) Limited, the Baroda Bolt Manufacturing Company and Messrs. Kirloskar Brothers, Limited, Applications received. Kirloskarwadi. The first of these firms has not yet commenced manufacture, but points out that whereas Rs. 40* duty per ton is charged on steel bars from which bolts and nuts are manufactured, the duty on imported bolts and nuts is only 10 per cent. *ad valorem*. The Company announces its intention of erecting a factory for the manufacture of bolts and nuts, if this anomaly in the tariff is removed. As regards the other two firms, it is not very clear whether they apply for substantive protection. The Baroda Bolt Manufacturing Company did not give evidence before us, but from the oral evidence given on behalf of Messrs. Kirloskar Brothers it appears that the minimum demand of the firm is that the handicap under which they suffer by reason of the duty on their raw material being so much higher than the finished article, should be removed.

109. Bolts and nuts being produced very largely in standard sizes are obviously articles suitable for mass production and we should not be justified in basing any scheme of protection on the costs of production of a factory the output of which is not comparable to that of factories in other countries.

Present output too small for grant of protection.

The manufacturing capacity of the two firms, who are now engaged in the industry, is very small. Messrs. Kirloskar Brothers have a plant capable of producing about 300 tons of bolts annually, and their maximum output up to the present is only 87 tons. The Baroda Bolt Manufacturing Company have not given their capacity in weight, but from the fact that their daily output is stated to be from 4,000 to 6,000 bolts a day, it is clear that their production is small. Messrs. Kirloskar Brothers utilize a portion of their output in connection with the manufacture of ploughs. We have received evidence from other engineering firms that they find it worth their while to manufacture bolts for use in their own works and there must always be a limited market for bolts of special sizes for which accommodation prices are paid. To this extent the manufacture of bolts and nuts can be undertaken without the grant of substantive protection.

110. We think it would be unreasonable to expect the country to incur any considerable burden on behalf of an industry organized

Case for granting tariff at present on so small a scale, while, as we equality. have explained, present costs are no guide to the amount of protection required if large scale production were undertaken. On the other hand, there appears to us to be a good case for the removal of the inequality of tariff treatment as between the Indian manufacturer and his foreign competitors which exists under the present tariff schedule. There is a prospect also that with the removal of this obstacle to development, the Indian manufacturer may increase his output to such an extent that, if protection were then required, the Board would have before it reliable information as to costs.

* The application was made before the Steel Industry (Protection) Act, 1927, came into force.

111. In estimating the amount of relief required, we cannot proceed on the basis of actual invoice prices for imported bolts and nuts as these include a great variety of sizes. It is safer, therefore, to take the average c.i.f. price as given in the Trade Returns which we set out below:—

	1926—27.		
	United Kingdom.	Germany.	Belgium.
Quantity imported	Tons.	Tons.	Tons.
	2478	2766	4621
Average c.i.f. price	Rs.	Rs.	Rs.
	402	306	201

Imports from the United Kingdom represent mainly bolts and nuts of special quality which are not manufactured in India, while imports from Germany and Belgium are of practically the same quality and represent the commoner kinds.

112. The position as regards tariff equality can best be explained in tabular form:—

	C.i.f. per ton.	Duty at 10 per cent.	Duty on bar per ton of bolts and nuts.	Proposed specific duty.
United Kingdom	Rs. 402	Rs. 40.2	Rs. 28.6	Rs. 40
Germany	306	30.6	40.7	40
Belgium	201	20.1	40.7	40

In calculating the duty on bar for the manufacture of bolts and nuts, we have allowed for a wastage of 10 per cent. of bar in the process of manufacture which the evidence indicates to be approximately correct as regards bolts. It would appear, therefore, that a specific duty of Rs. 40 per ton or Rs. 2 per cwt. will place the Indian manufacturer on an equality with the foreign producer. This represents a maximum increase of Rs. 1 per cwt. over the present revenue duty and would not seriously affect other industries using bolts and nuts. In support of this contention, we set forth the

weight of bolts and nuts in three branches of the engineering industry:—

	Lbs.	Increased cost. Annas.
Amount of bolts and nuts in a C-2 wagon . . .	30	4·2
Bridgework per ton	6	·9
Plough containing 100 lbs. of steel	2	·3

113. We have received evidence from the Collector of Customs, Calcutta, that bolts and nuts imported as spare parts of railway rolling stock and of machinery, not being of special shape or quality as required under Article 63-A and Article 51-A, will be liable to duty under Article 61 of the Statutory Tariff Schedule. We, therefore, confine our proposal to bolts and nuts falling under Article 61, on which we recommend that a specific duty of Rs. 2 a cwt. be levied in place of an *ad valorem* duty of 10 per cent. Our attention has been drawn to a recent interpretation of Article 61 by the Central Board of Revenue (Customs Ruling No. 7 of 1927) with reference to the classification of certain special classes of bolts. We do not consider that our recommendation is affected by this ruling.

Part III.—Wire and Wire Nails.

CHAPTER VIII.

Wire and Wire Nails.

114. When the application of the Indian Steel Wire Products, Limited, was first considered in the course of our enquiry in 1924, the claim for protection was based on the contention that the industry was subsidiary to the main Steel industry in India. The

Basis of claim for Protection in 1924.

Board, in its report, found that the industry satisfied the conditions laid down in paragraph 97 of the Fiscal Commission's report, but the primary condition, *viz.*, the existence of a sufficient supply of raw material, depended directly on the production of wire rod in India. The Company stated that it had entered into contracts with the Tata Iron and Steel Company under which the latter Company had undertaken to supply it with all the wire rod required for the manufacture of wire and nails. On the assumption that this statement was correct, it appeared that an abundant supply of raw material for the industry was available in India. Further, as in the case of the engineering industry, it was clear that the production of wire in India afforded a market for the sale of raw steel and thus tended to encourage the rolled steel industry. On this aspect of the case the question of protection for the two industries was closely connected, and the grant of protection to rolled steel necessarily implied that adequate assistance should be extended also to the manufacture of wire and wire nails in India. It was on this view of the question that we recommended in our first report that a duty of Rs. 60 per ton should be imposed on wire and wire nails imported into India. Barbed wire and stranded fencing wire not being manufactured in India were excluded from our proposals. These recommendations were accepted by Government and were embodied in the Steel Industry (Protection) Act, 1924.

115. Our second enquiry regarding the grant of protection to the Wire and Wire Nail industry was held in the latter half of 1925 and

the report was submitted in 1926. In the course of this enquiry, it became apparent that the Company's statement regarding the supply of wire rod by Messrs. Tata Iron and Steel Company, on which the claim to protection largely rested, had proved incorrect. Not only had the Tata Iron and Steel Company been unable to supply the Steel Wire Company with wire rod of their own manufacture, but it also appeared that there was no definite undertaking by the Steel Company to supply wire rod by any particular date. In these circumstances, the Board considered that the whole question of protection for the industry was re-opened and that if protection was required after the 31st March, 1927, it should be considered on the basis that the industry was a separate one using imported material. Since, however, the enquiry was limited to the question of supplementary protection, the general question of the suitability of the industry for protection fell

beyond the scope of the Board's investigations. At the same time, it was held that until this question was decided, it was not desirable that Government should incur further commitments and no recommendation for supplementary protection was made. It was, however, proposed that the protective duties on wire rod, which had not as yet been manufactured by the Steel Company, should be withdrawn. This proposal was accepted by Government and in place of a protective duty of Rs. 40 per ton, the 10 per cent. *ad valorem* revenue duty was re-imposed on wire rod.

116. Although in the course of their oral evidence in 1925, the Tata Iron and Steel Company definitely stated that by August, 1926, Steel rods, not manufactured by the Tata Iron and Steel Company, 250 tons monthly of 1 inch wire rod to the rod had as yet been delivered. It is not now intended to manufacture wire rod at the Steel Company's works until the new hoop and strip mill has been constructed. The latest estimate* of the time within which this mill will be in operation is approximately three years, and it becomes necessary to consider whether during this period it is desirable to continue protection to the industry on the basis of the manufacture of wire from imported material.

117. We may state at once that, in our opinion, unless the rod from which the wire is drawn is manufactured in India, no case can be established for the protection of the industry for protection. For it then obviously fails to satisfy the first condition laid down in the Fiscal Commission's report. The fact that the industry depends for its main raw material on imported rod must always place it at a serious disadvantage. From the point of view of national defence also if wire is to be manufactured from imported wire rod, the establishment of the industry can be of little importance. Large quantities of wire of all kinds are required in modern warfare, but with the supply of the main raw material of the industry, namely wire rod, liable to interruption, the national importance of the industry is seriously diminished. We have, therefore, no hesitation in stating our opinion that the manufacture of wire and wire nails from material imported from abroad is not a fit industry for the grant of protection.

118. Our conclusion in the last paragraph might have required some modification had the circumstances of the industry at the time of our last enquiry remained unchanged. Partly as a result of the protection granted to the Steel Wire Products Company and it would have been necessary to consider the effect which the discontinuance of protection might have had on the confidence of investors in the maintenance of the policy of protection. The situation is now, however, different. The chief debenture-holders, namely the Bihar and

* Mr. Alexander's evidence of 28th April, 1927.

Orissa Government and the Tata Iron and Steel Company, have given notice of foreclosure under the trust deed and we understand that inasmuch as the Wire Company had defaulted in payment of interest on the debenture loan, the trustees have no option but to order foreclosure at the expiry of six months from the date of notice. The future of the concern is entirely uncertain and no decision has as yet been arrived at by the parties interested. It may be that a new company will be formed to continue, under the management of the Tata Iron and Steel Company, the manufacture of wire from imported rod; on the other hand, manufacture may be discontinued until the Tata Iron and Steel Company are in a position to produce wire rod. The only company in India which manufactures wire in India at present is the Indian Steel Wire Products, Limited, and though Messrs. Ganguli and Company of Calcutta have notified us of their intention to establish a wire and wire nail factory, working on imported material, provided protection is continued, no expenditure on this scheme has yet been incurred. It appears to us, therefore, that the liquidation of the existing Company relieves Government of any obligation to continue protection to the industry and we do not consider that it would be right to impose any further burden on the consumer, while the rod from which wire is manufactured is not produced in India.

119. We have received an application from the Pioneer Wire Nail Manufacturing Company renewing their previous request for a higher protective duty on wire nails than on wire. The Company produces wire nails from imported wire and the considerations which we have set forth above in connection with the manufacture of wire from imported rod, apply also with equal force to this industry. The Company's proposal that the manufacture of nails from imported wire as a separate industry should be granted protection was fully considered by us in the course of our last enquiry and as late as April, 1926, we reported that no case had been made out for protection and that we had no recommendation to make in this respect. We have found no grounds for reconsidering the opinion then expressed, which has been accepted by the Government of India in their resolution No. 362-T (3), dated the 17th July, 1926.

120. We, therefore, recommend that the protective duty on wire and wire nails be discontinued. We think, however, that when the manufacture of wire rod on a commercial scale is established in India, the question may be reconsidered.

Recommendation.

CHAPTER IX.

Summary of Conclusions and Recommendations.

121. Our conclusions and recommendations with regard to the industries dealt with in Parts I, II and III of this report are summarized below :—

Conclusions and Recommendations.

1.—Railway Wagons and Underframes.

(1) We find that under the stimulus of the bounty scheme which has been in force during the last three years, the Wagon industry (in which term we include also the construction of underframes) has made great progress and is now able to meet a large proportion of the normal demand for wagons and underframes in India.

(2) As a consequence partly of the reduction in the cost of material but largely of the decrease in costs resulting from large orders for a few standard types of wagons, the wagon manufacturers have now reached a stage when they could normally withstand foreign competition with no assistance other than the existing revenue duty.

(3) We, therefore, recommend that the system of bounties should be abandoned and that no increase be made in the existing duty on wagons and underframes.

(4) Owing to improvements in railway administration, it has proved possible to reduce the requirements of the railways in respect of new broad gauge wagons and it will probably be unnecessary to place orders for this class of wagon for three years and possibly longer.

(5) Orders for considerable numbers of wagons have been placed abroad in recent years. In regard to such orders placed before 1925-26, the Indian Wagon industry has apparently no ground for complaint. But in view of the rapid growth of the industry in 1925 and the possibility of a large reduction in the demand for broad gauge wagons as indicated by the figures of surplus wagons in July, 1925, we consider that, in the interests of the Wagon industry in India, the orders for about 1,450 broad gauge wagons which were placed abroad in December, 1925, might well have been withheld and placed later with Indian firms.

(6) It does not seem, however, that the present situation could have been entirely averted even if no orders had been placed abroad in 1925, though the position would have been considerably improved.

(7) Special measures have been taken temporarily to meet the present situation. The Peninsular Locomotive Company's works have been acquired and sufficient orders for miscellaneous wagons and underframes have been placed for 1927-28 with the remaining firms to keep their works in operation.

(8) The restriction in the demand for broad gauge wagons will continue for some years and until normal conditions return, the wagon companies will be in a difficult position. We consider that during this period, steps should be taken to assist the industry.

(9) We recommend that until the demand for wagons and underframes in India reaches a total of 5,000 annually in terms of C-2 wagons, all orders should be placed in India by competitive tender from Indian manufacturers.

(10) The absence of foreign competition and the fact that there are now only three firms manufacturing wagons in India of which two are under the same management make it desirable to fix maximum prices within which tenders will be accepted.

(11) We recommend that subject to minor adjustments, such maximum prices be fixed at the level of the lowest approved c.i.f. price as shewn in the tenders for wagons in November, 1925, and for underframes in April, 1926. To these prices an addition of 12½ per cent. must be made and the appropriate charges for landing, wharfage, etc. and erection as shewn in Statements VII and VIII on pages 31 and 32 of Volume V of the Steel Report, 1926, must also be added.

(12) In view of the costs of wagon manufacture as shewn in this report, it is desirable that the question of the extent to which it is advisable to anticipate future requirements for wagons and underframes or to replace old rolling stock should be reconsidered.

(13) We are unable to support the claim of the Bombay, Baroda and Central India Railway that they should be permitted to import material for building wagons at a 10 per cent. *ad valorem* duty. As regards the application of the same railway that material for the construction of locomotives should be imported at a 2½ per cent. *ad valorem* duty, we are not in a position to make any recommendation.

(14) We consider that when the normal demand for rolling stock revives, the system of restricting orders to the capacity of the firm tendering, as certified by the Indian Stores Department, should cease, but that adequate penalties should be provided and enforced for late delivery.

II.—Component Parts: Forgings, Steel Castings and Spring Steel, Bolts and Nuts.

(i) FORGINGS.

(15) We consider that the manufacture of forgings should be regarded at present as merely a process incidental to the construction of wagons and not as a separate industry. It follows that when the demand for wagons is normal, the same duty should be imposed on imported forgings as on wagons and underframes.

(16) We think it important, however, during the next few years when the demand for broad gauge wagons will be small, and conse-

quently the market for wagon forgings restricted, that orders for forgings as spare parts should continue to be placed in India as far as possible, and that in comparing Indian with foreign prices an allowance of 2½ per cent. above the revenue duty should be made.

(ii) STEEL CASTINGS AND SPRING STEEL.

(17) In our first enquiry we were unable to determine the extent of the market for steel castings and accordingly made no recommendation for protection in respect of this industry. We now find that the annual demand for steel castings is sufficient to permit of an economic output. We consider, therefore, that a good case has been made out for protection.

(18) In our opinion the best and most economical method of extending help to the industry is by means of a bounty.

(19) We accordingly recommend that on all steel castings manufactured by the Hukumchand Electric Steel Works for railway wagons, underframes and locomotives during the period October 1st, 1927, to September 30th, 1930, a bounty of Rs. 2-8-0 per cwt. be paid to the Company, subject to a maximum of Rs. 1,80,000 for the whole period.

(20) We recommend that subject to this maximum no restriction be placed upon the amount to be paid in any one year.

(21) We have not proposed any bounty on the manufacture of general engineering castings partly for administrative reasons but mainly because the evidence indicates that a somewhat higher level of prices is as a rule obtainable for these.

(22) Spring steel is as yet not manufactured on a commercial basis and we have not been able to obtain information as to the cost of production sufficiently reliable to justify an estimate of the protection necessary. We have therefore no recommendation to make in respect of spring steel.

(iii) BOLTS AND NUTS.

(23) Bolts and nuts are at present produced in comparatively small quantities and we consider that present costs are no guide to the amount of protection required if large scale production were undertaken.

(24) There appears to us however to be good ground for the removal of the inequality of tariff treatment as between the Indian manufacturer and his foreign competitors which exists under the present Tariff Schedule.

(25) We, therefore, recommend that on all bolts and nuts falling under Article 61 of the Statutory Tariff Schedule a specific duty of Rs. 2 per cwt. be levied in place of an *ad valorem* duty of 10 per cent.

III.—Wire and Wire Nails.

(26) It appears that the main raw material for the manufacture of wire and wire nails, namely wire rod, will not be produced in India for at least three years, and consequently the industry fails to qualify for protection.

(27) Further, the only company which at present manufactures wire in India is the Indian Steel Wire Products, Limited, and the debenture holders have applied to the Trustees that the Company should be put into liquidation.

(28) We, therefore, recommend that the protective duty on wire and wire nails be discontinued.

(29) We consider, however, that when the manufacture of wire rod on a commercial scale is established in India, the question may be reconsidered.

A. E. MATHIAS—President.

J. MATTHAI—Member.

C. B. B. CLEE—Secretary.

27th June, 1927.

Evidence:

*Part I.—Wagons, underframes, and
Component parts thereof.*

I.—The Indian Standard Wagon Company, Limited.

(1) Letter, dated 29th April 1927.

With reference to the further evidence on the above which we have been asked to submit, we write to inform you that we desire to withdraw our request for an *ad valorem* duty of 27½ per cent. on wagons and wagon parts.

The bounty scheme devised by the Board has been successful in keeping our shops continuously employed for two years except for one short period of slackness; and the result has been not only a reduction in incidence of overhead charges which was foreseen, but also an increased efficiency of labour to a degree quite unforeseen. Although our cost accounts for the last contract are not yet complete, the financial accounts for the year ending the 31st March 1927 clearly show that if we had the opportunity of obtaining an order for delivery in one year of 2,500 broad gauge wagons of one or two types we could face world competition with little if any assistance beyond the existing revenue duty of 10 per cent. *ad valorem*. This rate of duty appears to us to give less than that measure of compensatory protection which all industries can in justice expect.

The unfortunate fact remains that so far from obtaining an order for a large number of standard broad gauge vehicles, we are likely for an indefinite period to have difficulty in obtaining enquiries for anything but metre gauge wagons and a few broad gauge bogie vehicles; and we submit that when one puts on one side the whole question of mass production, as we must during this period, a wagon or underframe is hardly to be differentiated from other forms of structural steelwork. It is true that the question of forgings arises, but in many cases, *e.g.*, a curved stanchion or a curb rail, it is hard to say whether a wagon part is fabricated steel or a forging.

The Board has after mature consideration decided that certain import duties should be imposed on fabricated steelwork, and we suggest that the same duties may well be imposed on all parts of rolling stock other than castings, vacuum brake cylinders and pipes, until such time as the Railway Board are in a position to call for tenders for 4,000 broad gauge standard wagons annually for two or three years. During the first year when tenders for this number of wagons are called, we suggest that the duty remain at 17 per cent. *ad valorem*; that during the next year it be decreased to 15 per cent. *ad valorem*; and that from then onwards it remain at the rate of 12½ per cent., representing countervailing duty only. In any year when the Railway Board is unable to call for tenders for this number of broad gauge wagons, we suggest that the duty revert at once to 17 per cent.

A further point to which we would refer is the inherent weakness of this industry in that it has but one large customer—the Railway Board. Being of opinion that we can on full output face all foreign competition for rolling stock orders in this country, we naturally feel that the time is not far off when we can hope to export rolling stock if not put at a disadvantage as compared with European manufacturers by import duties on our raw materials. We therefore submit that provision may be made for a rebate on any exported wagon material whatsoever, of a sum equal to the import duty paid or payable on the like material if imported into India.

(2) *Letter, dated 29th April 1927.*

As requested we enclose a list of orders for rolling stock received by us within the last 5 weeks. With regard to the other points on which we were asked to supply information, we write to inform you that we do not consider it possible to operate our plant without loss on a turnover of less than Rs. 40 lakhs per annum at the level of prices maintaining November 1925. We estimate that an expenditure of Rs. 70,000 on stock will be necessitated by the manufacture of metre gauge wagons. In addition it would have been necessary to spend a further Rs. 60,000 in special drilling machines had Burn & Co., Ltd., not been willing to contract for work which necessitates these machines. We estimate the cost of new jigs and dies for this year's contract at approximately Rs. 55,000 but it is extremely difficult to assess this figure accurately.

THE INDIAN STANDARD WAGON COMPANY, LIMITED.

1927-28.

List of wagon orders received.

		Rs.
S. I. Ry.	{ 400 MA-2 at Rs. 2,453 . . .	9,81,200
	{ 196 MC-2 at Rs. 2,354 . . .	4,61,384
M. & S. M. Ry.	{ 230 MA-2 at Rs. 2,663 . . .	6,12,490
	{ 220 MC-1 at Rs. 2,478 . . .	5,45,160
B. & N. W. Ry.	150 MC-3 at Rs. 2,137 . . .	3,20,550
R. & K. Ry.	22 MC-3 at Rs. 2,137 . . .	47,014
E. B. Ry.	50 B. G. T. Trucks at Rs. 8,391 . . .	4,19,550
TOTAL		33,87,348

BURN & CO., LIMITED.

1927-28.

UNDERFRAME ORDERS.

EAST INDIAN RAILWAY.

	Rs.
113 4-wheeled underframes	2,94,254
79 Bogie underframes	7,50,480
113 Bogie rail trucks	9,52,138

NORTH WESTERN RAILWAY.

205 Bogie underframes	19,28,230
	<hr/>
	39,25,102
	<hr/>

(3) Letter dated 2nd May 1927.

We have pleasure in furnishing hereunder answers to the questions raised in your letter No. 380, dated 27th April 1927.

(1) Steel used in one C-2 type wagon.

	Cwts. lb. oz.
Structural (Angles and Channels)	54 0 5
Plates	52 2 18
Bars of all sections	34 1 25
Black Sheets . . . . .	...
Galvanised sheets . . . . .	...
	<hr/>
	141 0 20
	<hr/>

The above includes 5 per cent. wastage.

(2) The only fitting for a C-2 wagons which cannot be made in India is vacuum brakework, and the price is about Rs. 240 per set delivered our Works.

Messrs. Burn and Company, Limited.

A.—WRITTEN.

(1) Letter, dated the 2nd June 1927.

On behalf of the Indian Standard Wagon Company, Limited, and Burn and Company, Limited, we have pleasure in forwarding herewith answers to the questions raised at our oral examination.

Q. 1. Were the castings in the 425 wagons British or Belgian? If the latter, give prices for the same castings ordered for 1,750 wagons.

A. 1. The Steel Castings for the 425 wagons contract were partly British and partly Belgian. The prices of the castings for the 1,750 wagon order were as follows:—

	Rs. A. P.
Axle-boxes	84 15 5 set.
Buffer Cases and Plungers	57 1 2 "
Solebar Stiffening Bracket	10 15 4 "
Brass Bearings	88 0 0 "
	<hr/>
TOTAL	240 15 11 "
	<hr/>

Q. 2. Item. Repairs and Maintenance.

- (a) Is the repair and maintenance cost included in the 1925-26 figures to be considered as abnormal?
- (b) Assuming figures given for 1925-26 to represent the overhead charges for 1,800 wagons (repairs and maintenance adjusted as above) what would be the overhead charges per wagon for outputs of 2,000 and 2,500 wagons respectively?

A. 2. (a) Repair and maintenance cost included in 1925-26 cannot be regarded as abnormal.

(b) For 2,000 wagons, Rs. 642 per wagon.

For 2,500 wagons, Rs. 563 per wagon.

Q. 3. How could the latest I. S. W. orders for metre gauge wagons and timber trucks be converted into terms of C-2 type wagons?

Q. 4. How could Burn & Co., Ltd.'s orders for 1926-27 be converted into terms of C-2 type wagons.

A. 3 and 4. We give below a statement showing roughly the amount of work in the various vehicles recently ordered, the work of making a C 2 wagon being represented by the figure 100.

*MA-2	.	.	.	.	.	.	.	.	.	.	73
*MC-2	.	.	.	.	.	.	.	.	.	.	70
MA-2	.	.	.	.	.	.	.	.	.	.	79
MC-1	.	.	.	.	.	.	.	.	.	.	74
*MC-3	.	.	.	.	.	.	.	.	.	.	64
B. G. T. Trucks	.	.	.	.	.	.	.	.	.	.	259
4-Wheeled Underframe	.	.	.	.	.	.	.	.	.	.	80
Bogie Underframes	.	.	.	.	.	.	.	.	.	.	294
Bogie Rail Trucks	.	.	.	.	.	.	.	.	.	.	260

Q. 5. What is the usual penalty clause for late delivery of wagons.

A. 5. In the event of any wagons remaining undelivered on the 15th March 1927, clause 7 of the Indian State Railways general conditions of contract governing the construction, supply and delivery of Goods Wagons, etc., stated as follows shall be applied:—

“In the event of Contractor's failure to deliver any of the vehicles, specified in the accepted contract by the time or times, respectively specified in the contract, the Buyer may deduct from any moneys due to the Contractor under the contract or otherwise recover from the Contractor as liquidated damages and not by way of penalty, the sum of 1 per cent. on the contract price in respect of each complete vehicle for each and every month or part of a month, subject to a maximum of 10 per cent. during which the vehicle is not ready for delivery and the Contractor shall also be liable for all costs of inspection which may be incurred after the date on which the vehicle ought to have been ready as aforesaid. But if the delay in delivery shall have arisen from any cause which the Buyers may admit as reasonable ground for such delay, the Buyers will allow such additional time for delivery as they may consider is required by the circumstances of the case. Provided that default or delay of sub-contractors though their employment may have been sanctioned under clause 3 hereof shall not be reasonable ground for delay or for exemption from payment of damages as above provided.”

No unnecessary delay will be permitted to occur in taking delivery of the completed wagons after they have been inspected by the said Inspecting Officer of the Indian Stores Department and a certificate of completion issued by him.

The wheels and axles required for the wagons will be supplied by the Buyer and in the event of such wheels and axles not being available when the wagons have been completed by the Sellers, there will be no objection to delivery of the wagons being taken by the Buyer under arrangement with the Sellers at their Workshops even though some delay may occur in the wagons being removed from the Sellers' premises.

Q. 6. What is the present-day imported cost of Axle boxes $9'' \times 4\frac{1}{2}''$ or $10'' \times 5''$.

A. 6. Axle-boxes $9 \times 4\frac{1}{2}$ (without bearings) f.o.b. £1-5-9 to £1-6-3 or delivered Rs. 21-2-11 to Rs. 21-7-8 each.

Q. 7. (a) What weight of bolts is manufactured in the course of a year at Howrah.

(b) What is the weight of bolts in C-2 type wagon and would the cost of wagon be substantially affected by any change in the duty on bolts.

(c) Let us have current Home quotations for Bolts $\frac{3}{8}''$, $\frac{5}{8}''$ and $\frac{1}{2}''$.

A. 7. (a) We find it impossible to give any reliable figures; but bolts made as separate contracts probably amount to about 100 tons per annum though other bolts are made as parts of larger contracts without any record being available of their weight.

(b) Approximately 30 lbs. The cost of a wagon would not be substantially affected by a duty on bolts.

(c) Imported materials. (Prices as on 7th April 1927).

Particulars.	f. o. b. price per cwt.	Price Landed in works per cwt.
	£ s. d.	Rs. A. P.
W. I. Bolts and nuts $1\frac{1}{2}'' \times \frac{3}{8}''$ and under .	1 15 0	28 0 8
Do do $1\frac{5}{8}''$ to $2'' \times \frac{3}{8}''$. .	1 12 6	26 2 5
Do do $2\frac{1}{8}''$ to $4'' \times \frac{3}{8}''$. .	1 10 0	24 4 1
Do do $1\frac{1}{2}'' \times \frac{1}{2}''$ and under .	1 3 6	19 5 2
Do do $1\frac{5}{8}''$ to $2'' \times \frac{1}{2}''$. .	1 2 0	18 3 0
Do do $2\frac{1}{8}''$ to $4'' \times \frac{1}{2}''$. .	1 1 0	17 6 10
Do do $1\frac{1}{2}'' \times \frac{5}{8}''$ and under .	0 18 6	15 8 6
Do do $1\frac{5}{8}''$ to $2'' \times \frac{5}{8}''$. .	0 17 6	14 12 4
Do do $2\frac{1}{8}''$ to $4'' \times \frac{5}{8}''$. .	0 16 6	14 0 3

Q. 7. (e) What is the life of a die used for the purpose of making bolts.

A. 7. (e) 2 months' continuous work may be taken as being a reasonable figure although the life is uncertain.

(2) *Letter dated the 3rd June 1927.*

Further to our letter of yesterday's date we enclose herewith lists showing the relative weights of 1", 1½", 1¾", 2", 2½", 3" and 4" diameter bolts and nuts which we regret we omitted to enclose with the other statements.

List of 1½" diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
1	12	70
2	14	78
3	25	84
4	25	87
5	22	90
6	19	93
7	17	95
8	16	96
9	15	97
10	14	98
11	13	99

List of 2" diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
1	10	72
2	13	79
3	28	84
4	24	88
5	22	90
6	20	92
7	18	94
8	16	96
9	15	97
10	14	98
11	13	99
12	12	100

1 cwt. of $\frac{3}{8}$ " diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
1	36	76
2	28	84
3	23	89
4	19	93
5	17	95
6	15	97
7	13	99
8	12	100
9	11	101

1 cwt. of $\frac{1}{2}$ " diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
1	38	74
2	31	81
3	26	87
4	22	90
5	19	93
6	17	95
7	15	97
8	14	98
9	13	99
10	12	100

1 cwt. of $\frac{3}{8}$ " diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
2	34	78
3	29	83
4	25	87
5	23	89
6	21	91
7	19	93
8	17	95
9	16	96
10	15	97
11	14	98
12	13	99

1 cwt. of 1" diameter bolts and nuts.

Length in inches.	Weight of nuts in lbs.	Weight of bolts in lbs.
2	34	78
3	30	82
4	26	86
5	24	88
6	22	90
7	20	92
8	18	94
9	17	95
10	16	96
11	15	97
12	14	98

MESSRS. BURN AND COMPANY, LIMITED.

B.—ORAL.

Evidence of Messrs. A. V. NICOLLE and R. F. WALKER, recorded at Calcutta on Wednesday, the 4th May, 1927.

Wagon building costs-castings.

President.—Since our last examination of the Standard Wagon Company, at Mr. Ginwala's request you sent in an estimate of cost of 2,000 wagons per annum which is on page 182, Volume IV of the Statutory Steel Report. We have not had an opportunity so far of examining you on this estimate. We shall take this opportunity of running through this estimate and of seeing to what extent it needs modification. Before we deal with these figures there are just one or two questions that I would like to put to you on the subject of the cost of material. This estimate is the cost above material. On page 155, Volume IV of the Statutory Steel Report you give your cost for 425 wagons in 1925-26. There your cost of castings comes to about Rs. 1,48,000 on 425 wagons. For one wagon it would amount to Rs. 348. In that year 1925-26 you were using English castings, were you not?

Mr. Nicolle.—On the 425 wagons? I am not certain of that.

President.—I think you stated that in your previous evidence.

Mr. Nicolle.—I have no doubt that will be the fact.

President.—Actually all your figures given for castings in 1925 were English.

Mr. Nicolle.—Certainly on the 1,250 wagons we used all English castings. On the 425 wagons I am not certain.

Mr. Walker.—I think it might possibly include iron castings.

President.—The amount of iron castings used is small.

Mr. Nicolle.—Yes.

President.—So it would not really affect the calculation.

Mr. Nicolle.—No.

President.—Perhaps we could check that by the castings on 1,250 wagons which comes to Rs. 4,52,000. As a matter of fact your cost of castings on 425 wagons is rather higher than the cost of castings on 1,250 wagons, so that it is pretty obvious that you must have used British standard castings.

Mr. Nicolle.—Yes.

President.—At present you are using Belgian.

Mr. Nicolle.—Almost entirely.

President.—If we took the difference between British and Continental castings that would be roughly about 30 to 33 per cent.

Mr. Nicolle.—Yes. In the case of axle boxes it is about 23 per cent. It is a varying percentage.

Dr. Matthai.—On page 125 you have got the British and Belgian prices.

Mr. Nicolle.—Yes.

President.—These prices are the prices of British and Continental at any given time. What we are comparing is the price of British castings for 1925 and the price of Belgian now. There has been a fall on the Belgian prices.

Dr. Matthai.—If you look at page 124 you get the British price of castings in 1925 and in page 125 you get the Belgian price for 1926.

Mr. Nicolle.—Perhaps we have other figures which might help us to give you the information. I don't quite follow you. Do you want to get the reduction in the cost of castings.

President.—We have to come to some conclusion as to what is the fair selling price of a wagon of a particular type. I am talking of a C-2 wagon of which you would normally turn out most. On that it seems to me roughly that we might allow somewhere about 33 per cent. reduction per wagon in the cost of castings in the latter part of 1925.

Mr. Nicolle.—That would be the difference between Belgian castings now and British castings when 425 wagons were made. I think we could give you the figures which would clear up that point.

President.—Please do. That is subject to slight adjustment later on. At present the figure which I have given would not be very far out so far as you know. 33 per cent. reduction would not be very far out.

Mr. Nicolle.—I should not care to make any further remark, because I never really compared the two contracts from that particular angle.

Fittings.

President.—Turning to the costs for 425 wagons we have got here a figure for fittings, Indian and Imported. That works out at Rs. 348 a wagon and I understand among those fittings is included the vacuum brake.

Mr. Nicolle.—Yes.

President.—Which costs Rs. 240.

Mr. Nicolle.—Yes.

President.—That you have always got to import, because you cannot make it economically in India.

Mr. Nicolle.—There is no vacuum brake made in India.

President.—So that deducting the cost of the vacuum brake you get about Rs. 110 as the amount per wagon for fittings that is to say forgings.

Mr. Nicolle.—Yes.

President.—If you turn to your estimate of cost of 2,000 wagons on page 182 you give there a further probable increase in cost due to making more parts, that is to say making more fittings.

Mr. Nicolle.—Yes.

President.—That amounts to Rs. 25 and Rs. 32 including the labour. That is to say your labour and on costs amount to rather more than half of the total value of the finished fittings.

Mr. Nicolle.—I don't follow the figures 25 and 32.

President.—Look at Column IV, further probable increase in your costs due to making more parts. The total of the first heading is Rs. 32. Then you get further down repairs and so on. The total amount per wagon is Rs. 25. If you add these together, you get Rs. 57.

Mr. Nicolle.—Yes.

President.—Your direct labour and on costs will come to Rs. 57 out of a total value of Rs. 110, rather over 50 per cent. Looking through the figures you have given in the case of fabricated steel, I think the labour and on cost came to exactly 50 per cent. Please see page 86 of the steel Report of 1926.

	Rs. per ton of fabricated steel.
Material 1.1 ton	117.4
Duty on 1.1 ton	21.2
Fabrication	110
	<hr/>
	248.6
	<hr/>

110 on 248 comes to something like 44 per cent.

Mr. Nicolle.—Yes.

President.—So that actually the on costs you have taken here for manufacturing more parts is rather above what is given as the on cost in fabricated steel.

Mr. Nicolle.—That would normally be the case with forgings.

President.—Why would that be?

Mr. Nicolle.—One thing that one sees at once is the fuel used in forgings which is not used in fabricating. That would clearly add to the overhead charges.

President.—Could you give us the amount?

Mr. Nicolle.—It is not a very easy thing to give an average for. It varies enormously according to the type of the forgings. I should put it somewhere in the neighbourhood of Re. 1 per cwt. of materials forged. I am afraid it is a very rough figure, but it is impossible to give an average.

President.—Even if we took Re. 1 for fuel, even so there is still some discrepancy, isn't there? This charge of 57 on 110 would be rather on the high side in the case of forgings.

Mr. Nicolle.—It is undoubtedly a more expensive fabricating operation than what we have hitherto called fabricated steel. If you take a bar, and do various forging operations, cwt. for cwt. the overhead is higher, and generally in addition, one has machining to do on the finished forgings. Take the case of screw couplings which enter into the cost of these extra fittings and possibly buffer heads and spindles, after you have finished the forging, you have to screw them, drill holes and mill them. All that would increase the overhead as compared with the cost of the raw material.

President.—Exactly how is this increase calculated? Are they calculated according to your on costs on the direct labour?

Mr. Walker.—Not in that statement.

Economies resulting from increased output.

President.—It seems to me that the ratio between the difference in making more parts—power and the difference in making more parts—direct labour was practically the same as the ratio between power and labour.

Mr. Walker.—That is because power and fuel go up in that proportion.

President.—Do they go up in direct proportion?

Mr. Walker.—Yes.

President.—According to your on cost system they do, but it does not necessarily follow that you have to have more labour.

Mr. Nicolle.—These figures were prepared from the Standard Wagon Company's actual costs and the question of percentage of on cost and labour would not arise in this. These are actual costs. They are not like the costs of Messrs. Burn and Company, Limited.

President.—This is an estimated cost of 2,000 wagons.

Mr. Walker.—We adopted the Tariff Board's method. We took all these factors into account and divided by the number of wagons. They are actuals so far as they go but they are vitiated by work in progress which affects these figures and spoils them from our point of view.

President.—They represent really the position at the time when you were making these 425 and 1,225 wagons.

Mr. Walker.—They represent our effort in the matter of working out the figures as required by the Board.

President.—I recognise that and appreciate it. But it does seem to me that this estimate is worked out on the figures of 1925-26 without making allowance for any economies which might result from an increase in the output from, say, 1,600 to 2,000 wagons. You will get certain economies, will you not, if you turn out a larger number?

Mr. Nicolle.—Yes, a lesser incidence per wagon in respect of fixed overhead charges.

President.—Not only in respect of overhead charges but also in other directions. You will get economies elsewhere. Probably per wagon you will use less power and fuel.

Power.

Mr. Nicolle.—Very little. Take the question of power. We use a certain amount of power for driving the line shafting, etc., and after that all the power we use is entirely proportional to the work we are doing.

Non-productive labour.

President.—What about your non-productive labour?

Mr. Nicolle.—That is very nearly proportional to the output because a great deal of it consists of carrying material about. If there is more material, then there is more labour.

President.—You have certain sanitary staff—sweepers and so on—which would probably be the same.

Mr. Nicolle.—I did not realise when you said non-productive labour that you were referring to the sanitary staff. That would not come under non-productive labour. It would come under sanitary service. The item 'Sundries' would probably cover that.

President.—I take it that non-productive labour means simply cooly labour.

Mr. Walker.—Predominantly that.

Mr. Nicolle.—I think you may take it that our non-productive labour is entirely proportional to our output. I cannot think at once of any non-proportional labour.

Dr. Matthai.—That means that if you increase your output you increase correspondingly your non-productive labour.

Mr. Nicolle.—Our overhead charges would divide themselves into two categories, *viz.*, the fixed ones and the proportional ones.

Dr. Matthai.—I am trying to understand the position as regards non-productive labour. For example this year you are turning out 1,500 wagons and next year you are increasing your output to 2,500: that means that next year you are going to employ more non-productive labour.

Mr. Nicolle.—Yes.

Dr. Matthai.—It is not a question of any fixed staff, with whom you can make either 1,500 or 2,000 wagons.

Mr. Nicolle.—No.

President.—So that actually your costs above material do not vary very much whatever the output is.

Mr. Nicolle.—Supervision would not increase *pro rata*.

President.—That would remain the same.

Mr. Nicolle.—I would not say that it is constant but it would not increase *pro rata*.

President.—Also it would not decrease.

Mr. Nicolle.—No, we could not cut down supervision.

President.—If you were turning out only 1,000 wagons, you would still have the same supervision.

Mr. Nicolle.—If we were turning out so few as 1,000 wagons, we should be able to reduce it.

President.—Would that be in proportion?

Mr. Nicolle.—No.

President.—Your supervision would be slightly higher for 1,000 than for 2,000.

Mr. Nicolle.—Yes, per wagon.

President.—Could you give us any idea?

Mr. Nicolle.—I should like to think it over. It is a question which we have not considered.

President.—Is there any other item on page 182?

General shop supplies.

Mr. Nicolle.—General shop supplies would not be entirely *pro rata*.

President.—Would that decrease considerably with increased output?

Mr. Nicolle.—It is a very difficult question to answer. It is highly hypothetical. We have no statistics to guide us.

President.—Could you give us a conservative opinion? Very much the same point arose in connection with Tata's and they gave us a reply. Their reply was on the safe side distinctly. Could you not give us any sort of guide at all?

Mr. Nicolle.—I should prefer to consider the matter and give you a written reply, if you don't mind.

Repairs.

President.—Is there any other head apart from overhead charges?

Mr. Nicolle.—Repairs would not be entirely *pro rata* with production.

President.—They would decrease as the output went up.

Mr. Nicolle.—Yes, per wagon.

President.—Power and fuel would be in strict proportion.

Mr. Nicolle.—Not entirely but very nearly.

President.—And direct labour would be.

Mr. Nicolle.—That would be taken as entirely proportional.

President.—Is your direct labour contract labour?

Mr. Nicolle.—Contract or piece work.

President.—What about sundries?

Mr. Nicolle.—I should imagine that it is partly proportional and partly non-proportional. But I should like to look that up again.

President.—You would be able to give us some sort of estimate as to the reductions possible as compared with the costs of 425 wagons which are actuals and the cost per wagon if you turned out 2,000 wagons. I think I am correct in saying that that has not been taken into account in these estimates. I mean that the question of decreased cost with the increased output has not been taken into account in calculating these figures.

Mr. Walker.—No.

President.—The question is really one of some importance because apart from estimating what your normal cost would be, we are also up against the difficulty of less orders being placed with you than your capacity. In that case from our point of view it is rather important to see if only half the orders for which you have capacity were placed with you, whether your cost above material would be increased considerably. Of course we know that overhead charges would be increased. There is no doubt about that. But as regards the cost above material, it would be a matter of some importance. Now you were saying that as regards the estimate for 2,000 wagons you would try and meet the wishes of the Board and submit an estimate for the cost above material according to the method which the Board usually adopts but that you had considerable difficulties because at the commencement of the year you had a certain amount of work in progress. According to the statement given on page 159, Volume IV, Steel Report of 1926, the work in progress in April, 1925, amounted to Rs. 4,35,100 whereas it was Rs. 6,72,000 in March, 1926, so that there was a difference as regards the amount of work in progress of roughly a couple of lakhs. This estimate of costs of 2,000 wagons ignores that. It presumes that the amount of work in progress is the same both at the commencement as well as the end of the year.

Mr. Walker.—Yes.

Changes in 1925-26:

President.—On page 158, Volume IV, Steel Report of 1926 you have the Charges Account for the whole year 1925-26. On page 155 your charges for 425 wagons were allocated on Rs. 2,86,000. That Rs. 2,86,000 was allocated on the assumption that you were turning out a certain normal amount of wagons. That is the way your on costs are worked out. You allot your actual charges according to an average amount of wagons and then over and above that, if you have any other charges, you enter that under the head 'loss on charges'.

Mr. Nicolle.—This figure, Rs. 2,86,000, is calculated as a certain percentage of productive labour which is charged in the cost sheet irrespective of actual facts. Then we keep a separate account of actual facts and the difference between the two gives the loss.

President.—That hypothetical figure in the cost sheet assumes that you are producing a normal number of wagons.

Mr. Nicolle.—Yes.

President.—That normal number on which this charge of Rs. 2,86,000 is entered, that is how much?

Mr. Nicolle.—I could not say from memory.

Mr. Walker.—About 1,800 wagons a year.

President.—So that 1,800 wagons represents what in 1925-26 you thought was the normal capacity of the works.

Mr. Walker.—Yes.

President.—If you were turning out 1,800 wagons your charges account would be as shewn on page 158.

Dr. Matthai.—That is to say a little over Rs. 12 lakhs.

Mr. Nicolle.—I don't think that that is altogether a correct view to take of what we are doing.

President.—But you work out your cost sheets on those lines.

Mr. Nicolle.—We do. But in the case of the Standard Wagon Company, the percentage of productive wages is quite immaterial. We could, if we wanted to, take 200 per cent. or 100 per cent. We get our adjustment through the loss on charges. There you have actual facts.

President.—In your charges account here for 1925-26 we have a definite figure Rs. 12,24,220. For this sum, on your own cost accounting, you could have turned out 1,800 wagons. As a matter of fact the Indian Stores Department when stated in the autumn of 1925 that your capacity at that time was 1,750 wagons.

Mr. Nicolle.—Yes.

President.—We would not really be very far wrong if we took your charges account and divided them by 1,800 and said 'this is the cost above material on each of these items'?

Mr. Nicolle.—No, I don't think that you would be far out. But I am sorry I don't quite follow your point. Is it your point that if you calculated the direct wages back from the actual charges account you ought to get what we recommend for the direct labour that could reasonably be charged to the shop?

President.—I realise that this ratio which you fix between your charges and your direct labour is a ratio which in the case of the Indian Standard Wagon Company, you have not been working long enough to fix with any accuracy.

Mr. Nicolle.—It has no practical significance in the case of the Standard Wagon Company. In the case of Burn and Company Limited, it has great practical value. In the case of the Standard Wagon Company it is unimportant because we have got actual facts.

President.—In any case it is a question of experience. Messrs. Burn and Company's ratio has been fixed after many years' experience.

Mr. Nicolle.—Yes, that 12 lakhs of rupees is actually what we spent the year.

Dr. Matthai.—If we want to get at your charges on the normal output how do we get it? Here are these charges figures for 1925-26. Your actual charges came to Rs. 12 lakhs in respect of 1,445 wagons, but there was a certain amount of work in progress during the year. Assuming for argument's sake that that was about Rs. 2 lakhs, if I added Rs. 2 lakhs to that do I get your charges for the normal output?

Mr. Nicolle.—Looking at it from such a different point of view makes it a very difficult question to answer. We cannot say what that work in progress was on that date nor what proportion of the value of the work in progress would be added to this.

President.—In any case these figures on page 158 of Volume IV of the 1926 Evidence are actuals, are they not?

Mr. Nicolle.—Yes.

President.—As regards your estimate that you can turn out 1,800 wagons for this amount, we can check that by the fact that the Indian Stores Department stated that your capacity at that time was 1,750 wagons, so that your estimate of 1,800 wagons is not too low anyhow.

Mr. Nicolle.—No. If we divided this by 1,800 we can get the incidence per wagon which would be fair.

Dr. Matthai.—What do you consider your normal capacity now?

Mr. Nicolle.—2,500 C-2.

Dr. Matthai.—That more or less agrees I suppose with the estimate of the Stores Department. We got some information from the Indian Stores Department last year and I think they gave us 2,400 C-2 as the present capacity of the Standard Wagon Company.

Mr. Walker.—We consider 2,500 as the normal capacity.

Dr. Matthai.—I gathered from you a little while ago that the total amount of non-productive wages would increase proportionately to the output; am I right?

Mr. Walker.—Yes, almost proportionately.

Dr. Matthai.—In that case it would not be different from direct wages.

Mr. Nicolle.—All labour should be productive. It is only a question of accountant's phraseology, this "productive" and "non-productive". Non-productive wages are indirect wages and the point of distinction between direct and indirect wages is not that you find you are able to do a larger amount of work without increasing in proportion the amount of indirect labour employed. Our reason for calling this particular labour "unproductive" is simply because it is not susceptible of being booked as direct labour. One such form of labour is moving the material in the yard. If you move more material you need more labour, but it is very difficult to say what each man is doing.

President.—In what proportion would you increase.

Mr. Nicolle.—I have very little doubt that the non-productive labour is not exactly in proportion to the output but if you are considering the difference in an output of say 1,500 as opposed to 1,800 wagons I doubt very much whether you would be able to notice the difference in the incidence per wagon it would make.

President.—Do you think in this year 1925-26 if we divided your non-productive wages by 1,800 we would get the normal amount?

Mr. Nicolle.—Really what I mean is this. In trying to get at at this figure one has to make many assumptions, and if you divide by say, 1,800, it is no more an assumption than in the case of so many other things in which we are likely to be out. I am afraid we can't get a very accurate figure in this way.

President.—It does seem to me that taking into account your capacity at the time it is not an unfair thing.

Mr. Nicolle.—No. I think it is a reasonable thing to do.

Repairs and Maintenance.

President.—This repairs and maintenance, this is an accordance with your general practice to charge such expenses to repairs and maintenance instead of to depreciation?

Mr. Nicolle.—Repairs are actual expenses; depreciation is really a book entry. These represent actual expenses in material and labour used in lining furnaces and so on. Our depreciation is merely a book entry.

President.—If you keep your plant fully repaired and up-to-date depreciation should be less.

Mr. Nicolle.—Depreciation is merely a book entry that one makes. It is keeping money from being spent against the day when you want to replace obsolete machinery.

President.—Then your depreciation represents obsolescence only?

Mr. Nicolle.—As opposed to what?

President.—As opposed to wear and tear?

Mr. Nicolle.—There is a kind of wear and tear which is always going on. Take a motor car for instance of which the sparking plugs are wearing out every now and then; one would not take money out of the depreciation fund to replace them.

President.—Exactly, but there are certain running repairs which are properly charged to revenue. What I want to know is are these repairs just ordinary running repairs?

Mr. Nicolle.—I don't know what standard you are comparing there.

President.—Will it be fair to take Rs. 82,000 as representative of the normal expenditure on repairs and maintenance for plant and machinery?

Mr. Nicolle.—I will look up more recent figures and let you know.

President.—Yes please do, because the figures do seem to indicate that they are somewhat abnormal. It rather looks as if you closed down altogether and you had to do a certain amount of extra repairs to get the works going again.

Mr. Nicolle.—That is quite possible.

President.—If you will look up your latest figures and let us know we shall be obliged.

Additions to block.

Dr. Matthai.—Since the end of 1924 have you put in any more machinery and so on?

Mr. Nicolle.—Yes we have made block additions.

Dr. Matthai.—For the purpose of increasing the capacity, is it?

Mr. Nicolle.—Yes.

Dr. Matthai.—How much in your opinion have you increased the capacity of the works by the additional block you have put in?

Mr. Nicolle.—Our capacity is now 2,500 wagons.

Dr. Matthai.—Before these additions were introduced how much was that roughly?

Mr. Nicolle.—I forget exactly how much. Perhaps this increase of output is not altogether due to block addition, but to trained labour.

Dr. Matthai.—When you got this order in 1925 for about 1,400 wagons you thought it necessary to introduce a certain amount of additional equipment?

Mr. Nicolle.—We did not add to the block so much with a view to cope with the orders we were getting but with a view to the future because we saw cheap production must depend on increased output.

Dr. Matthai.—Was there a considerable increase in the capacity by reason of the additional equipment?

Mr. Nicolle.—I can't remember.

D. McCall.—I think last year Mr. Ballour, when giving evidence before the Board, said that some capital improvements were made in the course of 1925-26 probably for the purpose of increasing the capacity of the works. I was wondering whether there was any kind of estimate as to the increased capacity on account of this additional equipment.

Mr. A. B.—I cannot say from memory. I know what we aimed at was turning out 2,500 wagons. What we reckoned as the starting point we cannot say, it must be somewhere about 1,700 wagons.

Orders in terms of C-2 wagons.

President.—You have given us a list of wagon orders received by the Indian Standard Wagon Company. They are of various types.

Mr. Nicolle.—Yes.

President.—Is it possible to state what these orders would amount to in terms of C-2 wagons?

Mr. Nicolle.—Financially we examined the point. Those first four items mentioned in the list which we have to deliver in the last four months of this current year, September, October, November and December would be equivalent to delivering about 830 C-2 wagons in value.

President.—Roughly 1,048 of these wagons are equivalent to how many standard wagons.

Mr. Nicolle.—830 C-2 at 1925 prices.

Dr. Matthan.—That is entirely judging by the prices.

Mr. Nicolle.—That is entirely on the financial basis. C-2 prices are not a very accurate basis of comparison. The price of steel has risen in the last 12 months.

Dr. Matthan.—Do you think one would be approximately right if one took the amount of steel material in a C-2 wagon and the steel material in a metre gauge wagon and then worked out a proportion on that basis?

Mr. Nicolle.—I think not, speaking off hand. I have not considered that point. One could see if you reduce one stage further and build a wagon of a diminutive size, the amount of labour used therein would be far higher in proportion.

Dr. Matthan.—Generally last year wagon builders who gave evidence before us last year told us that an underframe was $2\frac{1}{2}$ times a wagon. Now I find looking at the weight of steel material in a A-1 wagon and a 67 ft. bogie underframe it is almost exactly $2\frac{1}{2}$ times. I was thinking therefore whether we could proceed simply on the basis of materials.

Mr. Nicolle.—I think that it would be rather dangerous to push the analogy too far. Speaking off hand it appears to me that there must be more labour, more overhead charges per ton of material in a metre gauge wagon than in a broad gauge wagon.

President.—For the purpose of working out costs, would it be fair to consider that a metre gauge wagon is equal to $\frac{4}{5}$ th of your C-2 wagon? That is in the proportion of 1,048 to 830.

Mr. Nicolle.—You wish to arrive at the point that all wagons ought to be so much per ton fully fabricated?

President.—It is comparatively an easy matter to work out your fair selling price and what duty or bounty is necessary on the assumption that you are manufacturing C-2 wagons, but it is a very difficult matter to work out any sort of scale if we are suddenly faced with the fact that you are manufacturing 8 different types of narrow gauge wagons each requiring a different amount of labour and other expenditure, I was wondering whether during this difficult time it was possible in some way to correlate the cost of a narrow gauge wagon and the cost of a C-2 wagon. Just as my colleague was saying that one underframe is equal to $2\frac{1}{2}$ wagons, so you might say one metre gauge wagon is equal to $\frac{4}{5}$ th of a C-2 wagon.

Mr. Nicolle.—4/5th is based on the price, whereas I understood Dr. Matthai wanted to compare them on the basis of materials.

Dr. Matthai.—It is arbitrary in both cases.

Mr. Nicolle.—Yes.

Dr. Matthai.—Which is likely to be less arbitrary?

Mr. Nicolle.—We have not got the weight of the metre gauge wagons. There would be a considerable difference between the rates of weights and the ratio of prices. I think you will find the metre gauge wagon costs more per ton than the broad gauge wagon.

President.—The cost above material would naturally be higher, because thought the amount of material is less, the cost of erection remains much the same.

Mr. Nicolle.—I have not looked into the figures, but taking it to the logical conclusion one might consider making the thing on a model scale. The cost per ton of a smaller wagon is higher than the cost per ton of a big wagon.

President.—If you take the relative prices and compare it in that way one narrow gauge wagon is equal to 4/5th of a C-2.

Mr. Nicolle.—I don't think that would be far wrong.

President.—If you had 500 metre gauge wagons, would it be reasonable to say that the output of 500 metre gauge would be equal to the output of 400 C-2.

Mr. Nicolle.—I think that is very reasonable.

President.—What about these other types? The last one in the list is 50 B. G. timber trucks, are they bogies?

Mr. Nicolle.—Yes, broad gauge timber trucks.

President.—Are those bogies?

Mr. Nicolle.—Yes, they are short bogies. It is something like the 67 feet underframe, but instead of 67 feet, it is only 45 feet.

President.—Could you translate that in terms of C-2 wagon in the same way?

Mr. Nicolle.—It is not far different from an ordinary 67' underframe. You can take it as $2\frac{1}{2}$ times.

President.—Do you think as regards these B. G. trucks each B. G. truck equals $2\frac{1}{2}$ C-2 wagons?

Mr. Nicolle.—Pretty nearly—may be slightly less than that. If you will allow me to go back to the metre gauge prices, as regards the ratio of 4/5th, on thinking it over again I think that one would have to make it nearer something below 4 as compared with 5, because prices of this year are higher than last year, steel being more expensive per ton. Therefore these prices for metre gauge wagons as compared with C-2 are a shade higher owing to the material in them. Could we write and say after consideration? We could give you the ratio between the metre gauge and broad gauge and show the amount of work involved.

President.—Those orders which Messrs. Burn and Company, Limited, had for 113-4 wheeled underframes, are they same as B. G. T. trucks?

Mr. Nicolle.—No, these are mounted on 4 wheels. Those are mounted on two bogies, i.e., 8 wheels.

President.—Can you translate these into C-2 wagons?

Mr. Nicolle.—About $\frac{2}{3}$ of C-2. That is a rough figure.

President.—The bogie underframes.

Mr. Nicolle.—Those are the ones turned into broad gauge $2\frac{1}{2}$ to 1. That is exactly the thing discussed in previous years.

President.—Then the bogie rail truck.

Mr. Nicolle.—That is slightly smaller than the ordinary bogie underframe. That is like a timber truck, $2\frac{1}{2}$ to 1.

President.— $2\frac{1}{2}$ to 1.

Mr. Nicolle.—I am giving these rough figures.

President.—B. G. T. trucks are also in the same proportion as $2\frac{1}{2}$ to 1.

Mr. Nicolle.—May we write on these points?

President.—Yes. Then as regards the bogie underframes to the North Western Railway, is there any difference between this and those for the East Indian Railway?

Mr. Nicolle.—Not substantially.

Capacity of Burn and Company.

President.—You were saying that the capacity of the Indian Standard Wagon is 2,500 wagons at the present moment. What is the capacity of Messrs. Burn and Company stated in terms of C-2.

Mr. Nicolle.—Assuming we would do no underframes?

President.—Underframes and wagons. Perhaps the simplest way would be to take the largest orders. What is the largest order?

Mr. Nicolle.—We did a thousand wagons last year starting rather later than usual and at the same time we delivered part of the order for 142 underframes.

President.—They carried on from it.

Mr. Nicolle.—We started to deliver those underframes at the end of January last year. We delivered about 60 or 70 last year and 67 underframes and 1,000 wagons during the last financial year.

President.—That is delivered.

Mr. Nicolle.—Made.

President.—Made in the course of the year. That makes rather a difference. Could you give us the capacity of Messrs. Burn and Company for a year.

Mr. Nicolle.—I should say we could do 1,500 wagons and at the same time do a couple of hundred underframes a year.

President.—You have increased your capacity.

Mr. Nicolle.—We have re-organised the works a good deal.

President.—Have you added any plant?

Mr. Nicolle.—Yes.

President.—My impression was that you stated the capacity as 1,000 wagons.

Mr. Nicolle.—That was last year. We have put in new machinery since then.

Dr. Matthai.—How recent is that?

Mr. Nicolle.—This new machinery started to arrive about October, November.

President.—Your capacity is 1,500 wagons and 200 underframes at the same time.

Mr. Nicolle.—That would be about right.

President.—This is a note from Mr. Pitkeathly, Controller of Stores. He says:—"I estimate this firm's present capacity per annum for building wagons to be as follows:—(a) 1,200 A-2 type wagons if no carriage underframes are in hand or (b) 800 A-2 type wagons, and 200 carriage underframes."

Mr. Nicolle.—When did Mr. Pitkeathly say that?

President.—This was in last September.

Mr. Nicolle.—We had not got this new machinery then.

Amount of protection asked for.

President.—You have put in a revised application in which you say that if you had full orders, you would be able to carry on with little, if any, assistance beyond the existing revenue duty of 10 per cent. *ad valorem*. Then you go on to state that perhaps it would be better if we discussed your application under two heads—first what you consider the normal duty should be on a normal output, that is to say if you get orders up to approximately your capacity and then to consider the proposals you are making in regard to this lean period. So far as we are informed at present it is anticipated that you would be able to carry on with 10 per cent. but actually you claim 12½ per cent. because of the increase in the duty on steel, that is compensating protection.

Mr. Nicolle.—As a matter of fact this letter was written before we had thoroughly gone into the matter of compensating protection. In the light of our subsequent investigation, the duty need not be so much as 12½ per cent. to give us compensatory protection. All that we want is compensation.

President.—You say that with a duty of Rs. 26 on bars, it would be slightly below 12½ per cent.

Mr. Nicolle.—So far as we have calculated. It is a troublesome calculation in some respects.

President.—This 17 per cent. *ad valorem* duty which you suggest.

Mr. Nicolle.—Before leaving this question of compensatory duty we should like to make it clear that that statement is based on what has been happening in the past. If some sudden attempt were made by European makers to dump in the country, of course we could not meet that and we presume the Board would always be open to an application from us, if we could produce evidence that dumping was going on.

President.—I cannot commit the Government of India on a matter of that kind. But I should imagine that if there was any obvious attempt to suppress the wagon industry of India, action would be taken.

Mr. Nicolle.—I mention the point because we had very good reason in the past to state that attempts were being made to put the Standard Wagon Company out of business. We have no doubt in our minds. We have received the information from various sources. It is possible that once more an even more determined effort would be made next time the Government of India are in the market for a large number of wagons, to prevent our getting the work.

President.—It is a point which of course has to be considered in connection with both of your proposals.

Mr. Nicolle.—Quite so.

President.—Your proposal is that wagons should be placed in the same position as fabricated steel, that is to say, a duty of 17 per cent. should be imposed. You base that on the argument that as you will not have the advantage of mass production therefore the outturn of metre gauge wagons may be considered as more or less a form of fabrication.

Mr. Nicolle.—Precisely.

President.—Therefore *ipso facto* 17 per cent. would apply.

Mr. Nicolle.—Yes.

President.—It is a somewhat abstract argument. Have you any other calculation? Do you propose to justify the exact figure of 17 per cent. in any other way?

Mr. Nicolle.—I think that it is impossible because we have no experience of building odds and ends of rolling stock. Our argument is merely that from what evidence it was possible to collect the Board came to the conclusion that it was fair to give us 17 per cent. by way of protection on the fabrication of odd lots of structures. Now we are going to manufacture slightly different kinds of structures. We have no additional evidence. Whatever evidence we had for one applies equally to the other.

President.—There is another thing. Mass production is of course very much easier than undertaking so many types.

Mr. Nicolle.—This has introduced a new factor.

President.—Apart from that, this figure of 17 per cent. is really an arbitrary figure which you don't attempt to justify.

Mr. Nicolle.—We have made no hypothetical estimate for odds and ends of rolling stock.

Dr. Matthai.—You have got five different types in 1,300 and when the output is divided amongst these five types, your point is that it really makes the work scarcely different from ordinary fabrication.

Mr. Nicolle.—We do not make that suggestion on the basis of actual orders on hand. We make that point for the future. The present orders I should describe as a sort of half way house. Of some kinds of wagons there are a decent number. Those we should produce pretty economically. When you come to 50 timber trucks, you are no better or worse off than when you are making 50 small bridge spans.

President.—You say "These arrangements will be workable only if the Board lays down clearly the lines on which a comparison is to be made between imported and Indian rolling stock prices. Our whole case is based on certain methods of comparison already known to the Board, and deviation from these would undermine the entire position." Would you explain the methods of comparison?

Mr. Nicolle.—I think that the Railway Board gives them. I think I have noticed that they have cut down the allowance for erection but even on the basis of comparison that was made on page 31, we are prepared to meet world competition.

Rate of Conversion of English tenders.

President.—There is one point here. I do not know whether you have noticed it. The Railway Board on this page converted the English tenders at 1s. 6½d.

Mr. Nicolle.—We noticed that.

President.—Presumably you would base the conversion at 1s. 6d. You take some risk if you take the actual rate at the time the tender is made.

Mr. Nicolle.—We would prefer to have the thing on a purely business basis. With the actual offer they get from home Government have the exchange risk to face. With us, they have not. We prefer not to have any unnatural condition introduced which would give the Railway Board reason to say that they were being forced to show us special consideration in comparing our prices.

President.—That is to say you would prefer the current rate of exchange at the time being taken for the purpose of comparison.

Mr. Nicolle.—Yes.

Erection charges.

Dr. Matthai.—The obvious difficulty is that the Railway Board may assume an arbitrary rate for erection charges. There is another point. The wagons come from the United Kingdom. They might come in one stage of erection and you might be delivering things here in a more advanced stage of erection. There might be more rivetting done on your wagon than on the imported wagon? If a comparison is made both the Indian and the imported wagons must be in the same stage of erection.

Mr. Nicolle.—Normally I don't think that gives rise to any difficulty.

Dr. Matthai.—You don't make a special point as to the particular stage of erection.

Mr. Nicolle.—I don't think that it arises.

Dr. Matthai.—I remember this point was raised before us by one of your representatives in 1925.

Mr. Nicolle.—I don't quite see the point.

Dr. Matthai.—You have really done more erection than they have. That was in 1925.

President.—If we were to go into the question of erection charges in any very great detail, difficulties would arise.

Mr. Nicolle.—It is impossible because the Railway Board do not know their costs.

President.—If we take the figure given by the Railway Board, you would accept that. For C-2, they have given erection charges as Rs. 207-7-0. Of course it varies for different types.

Mr. Nicolle.—We would accept that. Of course new types may give rise to difficulties. I think in that case the Railway Board might let us know before we tender what allowance they propose to make.

President.—If there was any considerable variation in the erection charges—I am not speaking of Rs. 5 or Rs. 10 because under the Stores Rules Government Departments are entitled to ignore small differences in placing contracts in India—you would wish the Railway Board to give you information before tenders were asked for.

Mr. Nicolle.—The erection charges according to these figures are somewhere in the neighbourhood of 8 per cent. of the value landed. Therefore 10 per cent. on that would be 1 per cent. on the price and one per cent. on the price is very often enough to make us lose the order. When new types come up for tender, I think that the Railway Board ought to discuss the matter with us.

President.—You wish to be given an opportunity to protest if the erection charges seemed to you to be unreasonably low.

Mr. Nicolle.—Yes.

President.—If we base our proposals on the supposition that for C-2 wagons the erection charges are Rs. 207-7-0, the only variation you suggest is that our recommendations should include a clause stating that in the event of any new types any considerable variation in the percentage of costs should be brought to the notice of the wagon companies before tenders are called for.

Mr. Nicolle.—The Railway Board seem to vary their erection charges extraordinarily for different types of wagons.

Dr. Matthai.—Part of your point is that if tenders are called for, at the time when tenders are called for, there must be a statement of the allowance that would be made for erection charges.

Mr. Nicolle.—Yes. We should like the Railway Board to state what allowance they are making.

Dr. Matthai.—When do you want them to state it?

Mr. Nicolle.—When they call for tenders—earlier if possible so as to give us an opportunity, if we find that they are underestimating the case, of pointing out to them that there is a bigger job in the erection than they imagine.

Fixing the output of the various works.

President.—You state another proposition here. You suggest that the practice of certifying certain works for certain outputs cease as there is a penalty for late delivery, and this ought to be an effective deterrent to firms making offers of deliveries which they are unable to achieve. What is the penalty for late delivery?

Mr. Nicolle.—We do not know from memory. We will let you have that if you want.

President.—We should like to know that. There must be some reason for certifying the capacity of the works. It occurs to me possibly the reason is that the penalty for late delivery is not sufficiently deterrent. Have you any information whether it is enforced or not?

Mr. Nicolle.—We believe certain firms have complained of having to pay penalties.

President.—If the practice of certifying ceases, it seems to me reasonable that the penalty should be rigorously enforced in every case unless the default is due to some accident.

Mr. Nicolle.—That is all we have asked for. Supposing one has a strike, no firm in the world can promise delivery.

President.—But usually?

Mr. Nicolle.—We will always give delivery up to time unless some act of God prevents us.

President.—Have you any knowledge how long this practice of certification worked?

Mr. Nicolle.—Since the Indian Standard Wagon Company re-opened, certainly since the bounty system was in operation. Ever since then we have had this system of certification.

President.—That was in connection with the bounty system, but with the abolition of the bounty system there would not be any necessity for it, would there?

Mr. Nicolle.—I don't think so.

Dr. Matthai.—Supposing next year you are going to have total orders for about 3,000 wagons in this country and you are able to produce 2,500 and Messrs. Burn and Company gets the rest, then the third man may be knocked out altogether. The whole point of the certification system is that there should be some basis on which works could be distributed amongst the wagon building firms, so that if it was found that one of them was unable to get orders in a particular year, which would be a very serious blow to the whole industry because there are only few people in it,

Mr. Nicolle.—I don't quite follow why it is a blow to the industry.

Dr. Matthai.—Because in an industry which caters for public requirements, it is a great danger that a single firm should get all the orders.

Mr. Nicolle.—The Railway Board would not complain if Burns and Standard Wagon combined and arranged the price if they have other competition to face.

Dr. Matthai.—If the policy of certification ceased all the orders would come to you; nobody else would get them. If the total demand in a year was 3,000, you would state your capacity to be 3,000 and Government would have to accept that estimate.

Mr. Nicolle.—I don't quite see the exact point that you wish me to meet.

Dr. Matthai.—The point is that if the Railway Board's requirements are less than the number of wagons mentioned in your concluding paragraph there is an element of danger if we do away with the policy of certification because the distribution of orders amongst the tenderers must be made on some basis. Supposing you quote the lowest tender and you say your capacity is 3,000 then in that case no other wagon builder in the country would get any order.

Mr. Nicolle.—That might happen whether certification is enforced or not. Supposing the number of wagons available is only 1,000 the order must come to one firm.

Dr. Matthai.—If you estimate the demand at 1,000 certainly that difficulty would arise but if you assume a normal number like 3,000 then if we distribute in the proportion of say 1,500 to Standard, 1,000 to Burns and 500 to Jessops all would get a reasonably economic distribution of work.

Mr. Nicolle.—Surely it is open to the Railway Board to do that.

Dr. Matthai.—They must have some basis and I suggest to you that the reasonable basis is the basis of output.

Mr. Nicolle.—A great objection to this certification system is that it prevents manufacturers from getting the economies which a business man should be able to effect.

Dr. Matthai.—The whole point is this. During this period when you are depending so much upon assistance some kind of manipulation of that kind is unavoidable.

Mr. Nicolle.—The Railway Board do not bind themselves to accept the lowest tender. They know really what our works can do and if there is any doubt they can consult the Stores Department but the actual distribution of orders is purely an arbitrary matter in the hands of the Railway Board, is it not?

Dr. Matthai.—Of course the Railway Board has got to use its discretion.

Mr. Nicolle.—That is a thing of which we make no grievance. We cannot fetter the Railway Board in the ordinary purchase of their materials but we don't like the Stores Department to certify that we can only make 2,000 when we know perfectly well that we can make 2,500 wagons.

Minimum orders necessary to keep works open.

President.—In the next paragraph you say "If the quantity of work available in the near future is sufficiently small, it would seem that even if the suggested import duty were imposed, without a bounty in addition we should be unable to keep our works open without loss." Can you give us any idea as to the minimum number of wagons for which, if orders were placed with you, it would be worth while keeping your works open without loss?

Mr. Nicolle.—We have mentioned in our letter of the 20th April that Rs. 40 lakhs would be the least turnover on which we should incur no loss. I say at the level of prices maintaining when we got the last order for 1,750 wagons, that is November 1925, we could just make both ends meet if we turned out about Rs. 40 lakhs worth of wagons.

President.—The phrasing of your letter is a little doubtful. If you did not get Rs. 40 lakhs worth of orders per annum would you eventually close down your works?

Mr. Nicolle.—I should not like to bind the Directors by any official statement here but I think it would be a very doubtful proposition if it was less than that.

President.—Could you give us the minimum which would be essential to keep it open?

Mr. Nicolle.—I think when one gets near the marginal figure in business so much a matter of exercising judgment that it is impossible to state in advance what it would be and one would have to put a question like that to the Directors. It is a big matter to close the works down. One might show on paper that Rs. 30 lakhs worth of orders would eventually mean a loss of say Rs. 10,000 a year but the sympathy of the Directors might be of such mentality that they might say "Let us keep our works open although we may lose Rs. 10,000."

Foreign competition.

President.—As regards foreign competition you say "while the Railway Board's requirements are less than the number of wagons mentioned it would be only fair that if foreign makers offer railway wagons at lower prices than Indian manufacturers the former should be offered work at the lower prices." I take it that you do not mean to imply that in every case you should be given the option of accepting orders at the lower foreign price. This statement is made only to show you in case there is a definite effort to compel you to close your works by dumping foreign wagons. Is that correct?

Extra expenditure required to deal with the narrow gauge orders.

President.—You estimate an expenditure of Rs. 75,000 on block would be necessary in the manufacture of metre gauge wagons. What does that mean? What is that mainly for?

Mr. Nicolle.—As I mentioned earlier, a metre gauge wagon is very much like a broad gauge wagon in miniature and when you come to larger numbers of metre gauge wagons that you turn out, you need more erecting room and we have to spend money in increasing our erection space not actually erecting new buildings but for equipping them for work in connection with the erection of metre gauge wagons. They have to be erected and then dismantled; they are not just erected and pushed away on their own wheels. That means extra space under electric cranes and some special device on which one can erect the wagons; you have no wheels to work on and one has to build benches. Then comes the question of painting these after dismantling; we have to buy another electric overhead crane to give us more space in which to handle heavy weights. These are the principal items of block expenditure.

Dr. Matthai.—As regards cranes and so on could you not use all those broad gauge things? You had cranes and so on for broad gauge?

Mr. Nicolle.—We want additional ones to get the same turn over in rupees out of metre gauge wagons. That means handling a larger number of heavy weights and one must have a larger area served by overhead cranes.

Dr. Matthai.—Do I understand then that this fresh expenditure which is required for metre gauge wagons would actually be necessary if you have enough output in metre gauge wagons in your works? This year you have got 1,300 wagons; you are not going to take any other work except this order for 1,300 wagons and I don't understand why you want any additional space or any additional lift or transport machinery. Can you not use your broad gauge machinery for this 1,300 metre gauge wagons?

Mr. Nicolle.—No, because we have promised delivery of the first 1,046 metre gauge wagons over a building period of four months. I mentioned that so far as rupee turnover is considered that is equivalent to going on full capacity. That is equivalent to a rate of 2,500 broad gauge wagons a year. But the metre gauge wagon means more heavy lifts per rupee turned-over.

President.—You will be working up to capacity then?

Mr. Nicolle.—We had to promise early delivery. This 1,046 wagons are for two company owned railways who for some reason want them delivered in December.

President.—That is working 9 months full capacity.

Mr. Nicolle.—No, 4 months only.

President.—Is that not from August onwards?

Mr. Nicolle.—I doubt whether we should deliver in August. In September, October, November and December we have to deliver 1,046 metre gauge wagons. Those in price are the equivalent of going at the rate of 2,500 wagons a year. In the case of metre gauge wagons there are more heavy lifts per rupee of turnover.

President.—You would be working full capacity from when?

Mr. Nicolle.—We are very slack now. We shall not be anything like approaching busy until about July. We should begin to turn-out wagons in September and be busy delivering up to the end of December. We should be fairly busy in January and February and spin it out until March in the hope of getting more orders in the next financial year. If we do not get them we will finish everything in February.

President.—You will finish it in three quarters of a year.

Mr. Nicolle.—Say 8 months.

Cost of jigs and dies required.

President.—Now the cost of new jigs and new dies for this year's contract is approximately Rs. 55,000. Would you not require new jigs and dies?

Mr. Nicolle.—Yes.

President.—In any case your jigs and dies, won't they wear out?

Mr. Nicolle.—Not to any extent. The chief expenditure in making a jig is the expensive labour and expensive supervision you have got to put in it to make sure that it is of the exact size.

President.—So that this extra Rs. 55,000 is really an additional expenditure which you would not have incurred otherwise.

Mr. Nicolle.—It would not have been incurred had we gone on with C-2 or C-3.

President.—What about this Rs. 60,000?

Mr. Nicolle.—It would have been necessary to spend that amount in special drilling machines had Burn and Company, Limited, not been willing to contract for work which necessitates these machines.

President.—I asked you to frame an estimate for 1,800 to 2,000 wagons. Could you also give us exactly similar estimates for 2,500 wagons which is your capacity?

Mr. Walker.—Yes.

President.—It is no use asking you to give us an estimate of the cost of a narrow gauge wagon.

Mr. Nicolle.—As regards the metre gauge wagon, we have an idea of what it costs. It is all hypothetical.

Orders for spare parts.

Dr. Matthai.—In the Assembly Session in February I noticed Sir Charles Innes referring to conversations between the Railway Board and the wagon manufacturers as to the number of miscellaneous wagons and underframes and so on, that would be placed in India as a sort of compensation to wagon manufacturers. There was a reference made to spare parts that all the orders for spare parts which can't be done in the railway workshops would be placed in India. Has any share of the work come your way?

Mr. Nicolle.—No.

Dr. Matthai.—None at all so far.

Mr. Nicolle.—No. The G. I. P. has invited tenders for certain spare parts but the tender has not yet been submitted. It is not a large enquiry.

President.—What are those spare parts?

Mr. Nicolle.—Various things.

President.—Forgings.

Mr. Nicolle.—One or two springs and largely forgings.

Dr. Matthai.—You have not had any kind of estimate given to you by the Railway Board about possible orders for 1928-29.

Mr. Nicolle.—No.

President.—Am I to understand that you have no orders of any kind from the Railway Board for 1928-29?

Mr. Nicolle.—No.

Castings.

President.—We asked you last year for quotations in regard to the castings in connection with our enquiry into the Steel Castings Industry. Can you give us any later quotations for axle boxes?

Mr. Nicolle.—Yes.

President.—Would you mind sending us a statement?

Mr. Nicolle.—No.

President.—Would you state whether they are wrought iron axle boxes or steel? We had evidence the other day that a large number of axle boxes imported were made of wrought iron.

Mr. Nicolle.—They are semi-steel or malleable iron axle boxes. They won't compare with your previous price, because they are of the metre gauge stock and for carriage underframes they are of different size from I. R. C. A. type.

President.—You cannot send us any recent comparable prices.

Mr. Nicolle.—I am afraid not.

Dr. Matthai.—For the metre gauge wagons what size of axle box do you require?

Mr. Nicolle.— 7×4 .

Dr. Matthai.—You cannot give us any quotation for $9 \times 4\frac{1}{2}$.

Mr. Nicolle.—That is a carriage underframe, I think.

Dr. Matthai.—Can you give us any quotation for 10×5 ?

Mr. Nicolle.—I shall look that up.

Dr. Matthai.—If you cannot give us for 10×5 , please see if you can give for $9 \times 4\frac{1}{2}$. You might be ordering axle boxes for these metre gauge wagons. Have you formed any impression as to whether prices of steel castings on the Continent have arisen since about a year ago?

Mr. Nicolle.—No. I cannot say that I have formed any impression. Most of the things are not directly comparable this year with those purchased last year and it was really not a thing we had to consider in the ordinary course of business.

Dr. Matthai.—Have you placed any orders with the Hukumchand Electric Steel Works for any axle boxes or any castings that you require in connection with your present orders?

Mr. Nicolle.—No. They gave us a price. We told them that it was about 50 per cent. in excess of the price offered by Continental manufacturers and that we presumed that this business would not interest them. We had no reply to that. The Manager has not been to see us again. Presumably they are not interested.

Dr. Matthai.—How long ago was this?

Mr. Nicolle.—A month ago. He came in and saw me about the question of quoting for this rolling stock. He wanted me to put in a special price to the Railway Board for vehicles fitted with British steel castings as opposed to Continental. I told him that I would put in any figures which he chose to supply, but that my business was merely to submit the lowest tender to the Railway Board. If he gave me the price for his steel castings, I would tell the Railway Board in the accompanying letter that if they adopted Indian steel castings, they could have the vehicles at such and such a price, but he never gave me the price and the matter dropped.

Bolts and Nuts.

President.—Do you manufacture nuts and bolts in your shop?

Mr. Nicolle.—Not nuts, but we do make bolts.

President.—For sale?

Mr. Nicolle.—Yes.

President.—What is the amount you manufacture in a year approximately?

Mr. Nicolle.—I am afraid I have not got any figures for that.

President.—You could not even give us an approximate estimate, say 5 or 10 tons.

Mr. Nicolle.—We could give you a figure, but not a very accurate one, I am afraid.

President.—You say you manufacture them for sale. Do you compete with the standard sizes imported or do you merely manufacture for accommodation orders?

Mr. Nicolle.—Generally they are orders for odd size bolts that we compete for. We have occasionally in special circumstances supplied bolts of a more or less ordinary size, simply because the railways found themselves short and had to get them in a hurry as they could not get them from the bazaar.

President.—Is it a profitable business to sell bolts and nuts or are you merely working to carry overhead?

Mr. Nicolle.—We almost always make a profit on any actual order that we get.

President.—I suppose you have no separate accounts for bolts and nuts.

Mr. Nicolle.—I am afraid not.

President.—In a C-2 wagon could you give me any idea of the amount of bolts used?

Mr. Nicolle.—Something very small.

President.—Supposing for argument the duty on nuts was increased say from the existing 10 per cent. to 20 per cent., would it make any appreciable difference in your cost?

Mr. Nicolle.—Speaking offhand I don't think it would affect the price by more than a few annas. I would look that up for you.

President.—Have you got any quotation for bolts?

Mr. Nicolle.—Yes.

President.—Which is the standard?

Mr. Nicolle.— $\frac{3}{4}$, $\frac{1}{2}$ and $\frac{1}{4}$ are mostly imported.

President.—I understand that the prices do not vary according to length at all. It is entirely according to diameter.

Mr. Nicolle.—That is so.

President.—Would you let us have quotations for those 3 sizes?

Mr. Nicolle.—Yes.

President.—You would not put in any application in respect of bolts and nuts asking for compensating protection or tariff equality.

Mr. Nicolle.—No, we didn't make any application.

President.—I presume that it is because your output is comparatively small and any variation of duty would not affect you much.

Mr. Nicolle.—We could not produce costs to substantiate any application.

Dr. Matthai.—How is it that you make bolts without nuts? Do they not go together?

Mr. Nicolle.—We buy the nuts separately. The machine that we use for making bolts is not the same as that for making nuts.

Dr. Matthai.—Why don't you attempt to make your nuts as well?

Mr. Nicolle.—I couldn't tell you. It is a very small thing. We never bothered ourselves much about nuts.

Dr. Matthai.—It was not that it was not worth while to make your own nuts.

Mr. Nicolle.—It is a very small thing. We never really considered that as a business proposition. We have had an instinct that there is not very much in the Bolt and Nut trade. We have never gone into the economic side carefully because it is only a small branch of a big work.

Dr. Matthai.—I find from the trade figures that about 10,000 tons of bolts and nuts come into this country. It is a fairly big proposition for a big engineering firm like you. I should have thought that it was an attractive line of development. Why is it that the idea never occurred to you.

Mr. Nicolle.—Perhaps because we have got a lot of other things to attend to. One is faced with all sorts of possibilities of business venture investigation of which is limited by the amount of time at one's disposal. We have developed our trade in other directions. We have considered it in a vague sort of way, but not seriously.

III.—Messrs. Jessop and Company, Limited.

A.—WRITTEN.

(1) *Letter dated 29th April 1927.*

Referring to our informal discussion with the Board on the 22nd instant. We wish to make it clear that the support in the form of bounties we have received during the past three years has enabled us to consolidate our position as wagon builders, and were it not for the uncertainty of the demand; the adverse incidence of the Steel Tariff and the secret subsidy extended to the foreign manufacturers by the Shipping Companies through the Government of India, we should feel that our future was secure.

We suggest therefore to overcome the temporary uncertain demand, the procedure recently adopted of calling tenders in India only for miscellaneous requirements be continued until such time as the Government are in the market for standard wagons to the number of 6,000 per annum.

The adverse influence of the Steel Tariffs can be removed by an increase of 2½ per cent. on the present revenue tariff of 10 per cent. on wagons and underframes, making the duty 12½ per cent.

The freight subsidy extended to foreign manufacturers can be rescinded by the abolition of sterling f.o.b. tenders.

We also think as the Railways in India are practically speaking our only buyers that should Indian tenders in any one year be higher than prices offered by manufacturers abroad, the Indian tenderers should be given an opportunity of accepting orders at the rupee price tendered for foreign-made wagons.

The output at which we can manufacture most efficiently, that is at the lowest conversion cost per unit, is from 1,000 to 1,200 broad gauge wagons per annum or their equivalent in carriage underframes and bogies representing in Rupees approximately 40 lakhs. To merely keep our labour together and work to cover some of our charges only an order for 500 wagons annually would meet the case, provided some consideration were allowed as to price.

We regret we can give no figures of actual up-to-date costs as our existing contracts owing to the coal strike are barely complete nor have we any metre gauge costs for the year 1926 as we had no orders in hand.

The following orders were received during March 1927:—

G. I. P. Railway.

123 carriage underframes with bogies. Average price Rs. 9,571 each.

13 carriage underframes (four-wheeled). Average price Rs. 2,792 each.

E. I. Railway.

39 carriage underframes (four-wheeled). Average price Rs. 2,732 each.

E. B. Railway.

54 carriage underframes and bogies. Average price Rs. 10,055 each.

12 carriage underframes but only 10 bogies instead of 12. Lump sum Rs. 1,18,148.

43 carriage underframes (four-wheeled). Average price Rs. 2,479 each.

The total value of the orders being Rs. 20,87,792.

We would mention before closing that we are anxious to see the necessity for comparing Sterling and Rupee tenders disappear by the introduction of the Rupee tender for all Government requirements.

(2) Letter dated 7th May 1927.

At our oral examination on the 6th instant the Board requested us to furnish the latest prices for imported " " " " cast steel axle-boxes. We have pleasure in enclosing " " " " copies of two cables between ourselves and our London Office on the question of axle-boxes and other fittings.

We trust this is the information you required.

Copy of Cable No. 990, dated Calcutta, 5th March 1927.

Referring to Indent No. 28-G, at what percentage up or down can you repeat it but for 123 units instead of 93 as last reply by wire before Thursday.

Copy of Cable No. 466, dated London, 9th March 1927.

Re your Cable No. 990 re Indent No. 25-G, prices unchanged excepting following increases Vacuum Brake Gear 40 per cent. Steel castings 30 per cent. Check Springs 15 per cent. Buffers Axle-Boxes 3 per cent. Bogie Sole Plates 7½ per cent. Axle-guard Stiffeners 10 per cent.

(3) Letter dated 7th May 1927.

At our oral examination on the 6th instant the Board requested us to furnish the latest prices for imported bolts and nuts " " " " . We have pleasure in enclosing a sheet tabulating the cost for bolts and nuts since January this year.

We trust this is the information you required.

BOLTS AND NUTS.

Cost per cwt. landed at our Works.

[illegible]

MESSRS. JESSOP AND COMPANY, LIMITED.

B.—ORAL.

Evidence of Mr. C. I. RODDICK, recorded at Calcutta on
Wednesday the 11th May, 1927.

Orders received.

President.—In your letter of the 29th April 1927, you have given us a list of orders placed by Government with you for about 284 underframes of different types.

Mr. Roddick.—Yes.

President.—The orders were received by you in March 1927.

Mr. Roddick.—They were received before the 31st of March 1927.

President.—And your works are still occupied on your previous wagon orders.

Mr. Roddick.—The Dum Dum works are occupied on underframe orders. We also do, say, about 200 wagons a year at Jamshedpur. They have run out of work.

President.—These underframe orders are being at present undertaken at the Jamshedpur works.

Mr. Roddick.—Do you mean this new lot?

President.—Yes.

Mr. Roddick.—Some are. The small four-wheeled underframes we put up at Jamshedpur.

President.—That is what I am asking.

Mr. Roddick.—Only the four-wheeled underframes.

Dr. Matthai.—All the four-wheeled underframes are done at Jamshedpur.

Mr. Roddick.—Yes.

President.—For how long will that occupy your works at Jamshedpur?

Mr. Roddick.—Since we started on this particular wagon order which we are now completing, that is 351 A-1 wagons, they have averaged 38 wagons a month. There are only about 93 four-wheeled underframes among these.

President.—At present the only wagon work you are carrying out at Jamshedpur is in connection with these 93 four-wheelers.

Mr. Roddick.—We are going to carry it out.

President.—You have not started yet.

Mr. Roddick.—No. We have not got the material. Another serious thing with these four-wheeled underframes is that we cannot get the drawings.

President.—At present your Jamshedpur works are not working at all.

Mr. Roddick.—Not on wagons.

President.—Or underframes?

Mr. Roddick.—They have never done long underframes.

President.—When do you think you will be able to start on these four-wheeled underframes?

Mr. Roddick.—Our promised dates of delivery commence in October this year. We are now getting on to May and yet we have not been able to order the materials because of the delay in getting the drawings.

President.—You have received no drawings.

Mr. Roddick.—We have received drawings, but they are all inaccurate.

President.—Is there any reason for that?

Mr. Roddick.—The usual desk work.

Dr. Matthai.—There is nothing new about these drawings.

Mr. Roddick.—There is nothing new. But they are not of the I. R. C. A. standard type.

Dr. Matthai.—There is no I. R. C. A. standard for underframes.

Mr. Roddick.—Yes there is. In this case they have departed from that.

Dr. Matthai.—That might account for the inaccuracy of the drawings.

Mr. Roddick.—It might be accounted for in this way. You have heard of the talk about centre buffers. They are trying to make these new wagons—the four-wheelers I am talking about now—adaptable for the centre buffer. That means they have altered the draw gear on the wagon but we get a drawing saying that the draw gear should be like so and so. That means the whole of that drawing is of no use. It will have to be redrawn.

Dr. Matthai.—The purpose of the new design is to introduce the centre buffers.

Mr. Roddick.—Yes. We quoted to proper drawings. We have not yet received the drawings. We cannot get them. We have brought in the Indian Stores Department—that is the Inspection Department—to assist us in the matter of getting the drawings. We are under penalty for these underframes and unless we get the drawings and order the materials now, it is impossible to do anything.

President.—You say you are prevented from completing the order in time because of the inaccuracy of the drawings supplied. Would the penalty be enforced in that case?

Mr. Roddick.—It cannot be enforced. We have not signed the contract yet. Invariably these contracts do not come in for six months. It takes so much time to prepare these contracts. Before we sign the contract there will have to be some correspondence showing how we have been delayed, etc.

President.—What is the capacity of the Jamshedpur works in terms of wagons?

Mr. Roddick.—40 a month.

President.—I should like, if possible, to get it in terms of C-2 wagons. Would it be 40 C-2 wagons?

Mr. Roddick.—Probably 45 C-2.

President.—You manufacture only A-1 wagons.

Mr. Roddick.—A-1 and A-2, i.e., covered goods.

President.—You say 45 C-2 a month.

Mr. Roddick.—That is at Jamshedpur.

President.—Can you translate these four-wheeled underframes in terms of C-2 wagons?

Mr. Roddick.—Yes. If you look at the details of these underframes you will find that they are not all of one type. In the case of the East Indian Railway order for 39 underframes there are two types and the same is the case with regard to the Eastern Bengal Railway.

President.—When you are carrying out orders for various types—I mean small orders for each type—it is a more expensive business than repetition work. In the case of these various types, our position is also rather difficult. We could not possibly estimate the fair-selling price of 7 or 8 types.

Mr. Roddick.—It is impossible.

President.—For that reason we want to reduce everything to terms of one common type.

Mr. Roddick.—Yes. Formerly the Tariff Board based their figures on A-2. As far as C-2 is concerned, the whole of that is almost exactly the same as A-2, except that the latter are covered wagons.

President.—Any calculations in terms of C-2 would be merely a rough guide.

Mr. Roddick.—Yes.

Mr. Roddick.—Because we have already 93 in addition to those which were booked last month.

President.—93 carried over?

Mr. Roddick.—Yes, from April last year.

President.—You have also some wagons. You have not delivered all your wagons, have you?

Mr. Roddick.—The Garden Reach lot has all gone. As regards the other lot, at the last moment a point was raised. The North Western Railway suddenly asked us to transfer the balance of 50 to the South Indian Railway and it took us three weeks to get clear instructions.

President.—So far as the Dum Dum works are concerned, you have got a balance of orders for underframes.

Mr. Roddick.—Yes.

President.—And no balance of orders for wagons?

Mr. Roddick.—No.

President.—You have roughly something under 200 underframes this year.

Mr. Roddick.—The actual number is 189.

President.—How long will that keep you going?

Mr. Roddick.—Fully up to 31st March.

President.—Fully employed?

Mr. Roddick.—As hard as we can go.

President.—The position is that the Jamshedpur works and also the Dum Dum works will be fully employed?

Mr. Roddick.—Yes, up to the 31st of March.

President.—In your Jamshedpur works, do you manufacture anything in the way of spare fittings?

Mr. Roddick.—The Jamshedpur works manufacture all the angles, forgings, etc., required for the wagon.

President.—The Government of India stated that they placed orders for spares, fittings and so on in the country.

Mr. Roddick.—We cannot do that in Jamshedpur. We can make these fittings at Howrah.

Dr. Matthai.—Under your contract when were these 93 underframes for the Great Indian Peninsula Railway expected to be delivered?

Mr. Roddick.—Under the original contract they had to be delivered in June this year. On this particular order also we were delayed on account of the drawings. When I came out I saw the Agent and he gave us four months' extension because of the coal strike. Under the new terms we have to commence delivery in April.

Dr. Matthai.—These underframes that you have shewn in the list *plus* the old G. I. P. 93 underframes will keep your works at Dum Dum fully occupied until 31st March 1928.

Mr. Roddick.—Exactly.

President.—What about your Calcutta works?

Mr. Roddick.—As far as wagons are concerned?

President.—As far as structural steel is concerned you have a Garden Reach.

Mr. Roddick.—We have it here.

President.—We don't want to reopen the question of structural steel. Am I right in considering the placing of orders so far as is possible in India for structural material during the current year as a consideration of the firm to a considerable extent for the reduction in the number of years of underwriting orders.

Mr. Roddick.—To some extent; for as to a ~~certain~~ ~~extent~~

President.—On the whole so far as they have it in their power Government have treated the wagon firms well.

Mr. Roddick.—We appreciate that they have done all they can to assist us.

President.—It is a very difficult situation.

Mr. Roddick.—Yes.

Capacity of works.

Dr. Matthai.—The opening of the Dum Dum works has increased your total capacity by how much?

Mr. Roddick.—By fully 50 per cent.

Dr. Matthai.—Your present capacity taking Jamshedpur and Dum Dum together, you estimate at what?

Mr. Roddick.—1,500 to 1,700 wagons per annum.

Dr. Matthai.—So that it is increased by about 500.

Mr. Roddick.—Approximately 500 to 700, say between 50 and 60 per cent.

Dr. Matthai.—Before the Dum Dum works were opened, your estimate was about 1,000.

Mr. Roddick.—Yes, in the two places.

Dr. Matthai.—Is it your plan to concentrate on wagons in Jamshedpur?

Mr. Roddick.—We can only do wagons at Jamshedpur. We cannot do underframes there.

Dr. Matthai.—In Dum Dum you can do both underframes and wagons.

Mr. Roddick.—Yes.

The firm's application.

President.—Turning now to your application, there are three difficulties. The first is the uncertainty of demand, the second is the adverse incidence of the steel tariff and the third is the secret subsidy extended to the foreign manufacturers by the Shipping Companies. The first two circumstances are fairly plain and we need not go into them further. What exactly do you mean by secret subsidy?

Mr. Roddick.—They get the Government freight advantage.

President.—You say that the freight subsidy can be rescinded by the abolition of f.o.b. tenders. What exactly do you mean?

Mr. Roddick.—If they are made to quote in rupees c.i.f. they would have to arrange their own freight.

President.—Why?

Mr. Roddick.—They should do it if it is made that way. Of course on the other hand if the Government so arrange that they can still use the freight advantage, we are no better off. Our idea is that if we get a rupee tender they must go to the open market for freight. They cannot make use of the Government freight advantage.

President.—It does not follow necessarily, does it?

Mr. Roddick.—We have not been able to use the Government freight advantage. Although the contract is for Government, yet we cannot get it.

President.—Your point is really this, in comparing the cost of the imported foreign wagon with the Indian made wagon. Government should take into account the ordinary commercial rates.

Mr. Roddick.—That is the real point.

Dr. Matthai.—If it is a sterling tender, the Government of India takes delivery at a British port and if it is a rupee tender the Government takes delivery here that is your point.

Mr. Roddick.—That is my point and a great point. It is not merely the freight that we are up against. It is the f.o.b. payment as against payment on a complete wagon here. We do not get any payment whatsoever on the wagons till we deliver them. In the old days, before the new regulations

were issued by the Railway Board, they paid for the materials as they arrived. They have abolished that. They use to always pay, say, 60 per cent. advance for the raw material and the balance when the wagon was complete.

Dr. Matthai.—You mean you have to bear your interest on the whole cost for four months?

Mr. Roddick.—More than that; we have to bear an extra four months owing to the coal strike.

President.—Your proposal is that you should obtain compensatory protection against the steel tariff which you estimate would be covered by a duty of 12½ per cent., that is in reference to what I may call equalization when the normal position is restored. As regards the intervening period I am not quite clear from your application what it is you want. You say “As the railways in India are practically our only buyers, should Indian tenders in any one year be higher than prices offered by manufacturers abroad, the Indian tenderers should be given an opportunity of accepting orders at the rupee price tendered for foreign made wagons.” That is to say if the foreign tenderer can quote a lower price after allowing for 12½ per cent. than you can quote, in that case the work should be offered to the Indian tenderer during the intervening period at that price?

Mr. Roddick.—Not in the intervening period but always.

President.—Do you think in that case you will get many tenders from foreign firms once they find that in each case orders are placed in India although they tender at a lower price?

Mr. Roddick.—But the point is if the wagon demand is going up over 6,000 wagons there will always be something left for the foreign firms.

President.—It is possible that other wagon building firms may be established, but even if they are not in the interim period the position would be that the Railway Board would call for tenders; tenders from abroad would be received and they might be lower than the Indian tenders but the orders will be placed with Indian firms?

Mr. Roddick.—For the interim period you call for tenders in India only. What we say in our representation is this. “We suggest therefore to overcome the temporary uncertain demand, the procedure recently adopted of calling tenders in India only for miscellaneous requirements be continued until such time as the Government are in the market for standard wagons to the number of 6,000 per annum.”

President.—“In India only for miscellaneous requirements” I took that as meaning fittings.

Mr. Roddick.—No, miscellaneous wagon requirements as well, just the same as they have done this year where we could not compete against the British manufacturer in these miscellaneous requirements because the British manufacturer can lump these miscellaneous requirements in several big orders, for Africa, South America and so on, whereas we have nothing except these few miscellaneous items.

President.—You see, there are only two wagon building firms in India; would not that place the Railway Board at the mercy of the wagon builders supposing we recommended and Government gave you a guarantee that, as you suggest, until the number of wagons ordered reached 6,000 per annum all the orders should be placed in India?

Mr. Roddick.—The guarantee that was issued for this one year contained the following clause in the finishing paragraph that ‘the price must be reasonable.’

President.—What would be a reasonable price, that is what I want to know? If we were to recommend that all orders should be placed in India provided the price was reasonable, the obvious thing to know is what is a reasonable price? The Tariff Board may well be asked to suggest a reasonable price during the next three years?

Mr. Roddick.—I should say within 15 per cent.

President.—That is to say if a 15 per cent. duty was levied. . .

Mr. Roddick.—Assuming that the same calculations have been made between the sterling and the rupee tender for wagons which we have been accustomed to for the past three years, our price for these miscellaneous requirements would be higher by 15 per cent. and on that basis orders should be placed in India.

President.—That is to say, in effect it would be the same thing as if we put on a compensatory duty of $12\frac{1}{2}$ per cent. plus 15 per cent.?

Mr. Roddick.—That is it.

President.—Actually what you suggest is that if in the interval a $27\frac{1}{2}$ per cent. duty was put on, then you consider you would be in a position to meet competition and you would not press then that orders should be definitely placed in India?

Mr. Roddick.—No. Such temporary period may be one or two years. What I say is Government should take up a reasonable attitude as they have done during this year in order that we may be able to carry on. We say we ask for nothing more. If we are covered for this steel tariff we are prepared to compete with all the world.

Dr. Matthai.—Supposing last year the price that you got for a C-2 wagon was Rs. 3,000, now this year on account of the uncertain demand and the miscellaneous character of the demand, what do you consider should be taken as a fair price for you?

Mr. Roddick.—Rs. 3,450.

Dr. Matthai.—That would be an increase of 15 per cent.?

Mr. Roddick.—Yes.

Dr. Matthai.—Supposing we looked at it from the point of view of a duty, that is to say, the problem before us was to fix a duty on wagons that would fetch the Indian manufacturer a fair price, then the suggestion that you have made of a 15 per cent. increase over last year would mean practically a 25 per cent. duty?

Mr. Roddick.—Yes.

Dr. Matthai.—You would suggest a duty of somewhere about 25 per cent.?

Mr. Roddick.—That would be true if it were a question of duty. With this extra $2\frac{1}{2}$ per cent. under normal conditions $12\frac{1}{2}$ per cent. should be the duty, but I would rather not put it in words as $27\frac{1}{2}$ per cent. duty.

Dr. Matthai.—We wish to ascertain what you would consider a reasonable duty.

Mr. Roddick.—We would not like the idea of your putting it as a $27\frac{1}{2}$ per cent. duty. We are not suggesting a $27\frac{1}{2}$ per cent. duty, that is the point we want to make clear.

President.—You are asking what in effect comes to the same thing, that is to say you are asking for either $27\frac{1}{2}$ per cent. duty or in the alternative $12\frac{1}{2}$ per cent. duty plus 15 per cent. bounty.

Mr. Roddick.—Yes, it actually comes to that; the financial result is that anyhow.

Dr. Matthai.—Supposing the Railway Board decided to place all the orders here in India and in deciding on a fair price they got a quotation by cable from the Director General of Stores in London?

Mr. Roddick.—That is no use; we don't trust any quotation like that for the simple reason that what happens is that the Director General asks them "Will you quote for these wagons"? The man thinks to himself "He wants only quotations, perhaps it is not going to be an economical proposition" and he quotes a fancy price.

Dr. Matthai.—You won't attach any importance to a hypothetical quotation; that is what you mean. Then the only thing to do is to call for tenders in which case the foreign manufacturers quote and the Railway Board take the lowest tender and tell the Indian firm "This is the lowest tender that we

are able to get from Home, are you prepared to take the order at that rate?"

Mr. Roddick.—Yes, *plus* some consideration.

Dr. Matthai.—I am thinking of the usual commercial way in which the thing can be done.

Mr. Roddick.—If the circumstances are normal I agree. The whole thing is that you must remember the situation here, that we have no other market and we cannot give any figures for heterogeneous wagon orders.

Dr. Matthai.—As far as you are concerned you would like us to tell Government that we consider, on an examination of the probable costs of the miscellaneous requirements, that the Indian firms are likely to incur extra cost of 15 per cent. *plus* 12½ per cent. compensatory duty and that the Railway Board in fixing the fair price at which to place orders ought to add 27½ per cent. to the lowest tender that they got from abroad, that is 17½ per cent. *plus* a revenue duty of 10 per cent. Supposing we fixed a duty of 27½ per cent., then if the Railway Board called for tenders, necessarily to the lowest tender they got, they would have to add this 27½ per cent. to enable you to get a higher price. Have you any considered objection to a duty system? As the President has pointed out to you in practice it makes no difference at all from your point of view.

Mr. Roddick.—We would rather prefer a duty system to any bounty system.

Dr. Matthai.—Instead of leaving to the Railway Board or any other person to say what is a fair price, we fix a tariff and necessarily whoever is the purchasing authority has to take the duty into account and automatically therefore you get the benefit of the fair price.

Mr. Roddick.—That is an ideal condition up to a point, but I don't like Government to give us 27½ per cent. duty although it amounts to that I admit.

Fittings.

President.—Besides wagons you manufacture fittings, do you not?

Mr. Roddick.—Yes.

President.—Do you manufacture these for sale?

Mr. Roddick.—Yes.

President.—Taking your proposal as it stands that orders should be placed in India at a reasonable price do you consider that the same 15 per cent. should apply to these?

Mr. Roddick.—No, because fittings are a different thing altogether. Only to-day we got an enquiry for 3,000 drawbar hooks. That in itself in bad times is an economic enquiry. We do not want to say on the face of an enquiry of this kind that we want 15 per cent. We shall be prepared to take 12½ for fittings. The compensatory of 2½ per cent. is on the fittings just in the same way as it is on the wagons. As a matter of fact it is slightly more because it is Rs. 26 a ton for the fittings against Rs. 19.

President.—You consider then that you can turn out fittings cheaper than you can turn out fabricated steel?

Mr. Roddick.—Thrown in with wagons. If there were no wagons in the pool we could not do fittings at that price. There is more money spent in rupees in converting fittings on the average than converting structural work. Take an order like 3,000 fittings. We shall have to pool that up.

President.—Have you any guarantee that you will get an order for 3,000 fittings?

Mr. Roddick.—We shall certainly get orders for fittings to that amount if Government adopts a policy of ordering fittings in India. They order enormous quantities. I know of enquiries for fittings that have gone home for which we were not asked to quote.

President.—You stated in your previous evidence that you agree that it is almost impossible to dissociate fittings from the manufacture of wagons, and that whatever duty was applicable to wagons should be applicable to

fittings, but now in your statement regarding the protection that would be necessary for wagons in the interim period some allowance should be made for the manufacture of fittings which should bear a somewhat lower duty? You say 12½ per cent. for fittings should serve your purpose?

Mr. Roddick.—I do not quite follow what you mean.

President.—You were saying just now that if orders were placed in India for fittings you would not press for a duty of more than 12½ per cent.

Mr. Roddick.—If we received the orders with wagons too.

President.—On the assumption that you were getting orders for wagons and also assuming that the question of protection of wagons could not be dissociated from fittings, in estimating the duty which should be imposed both on wagons and fittings some allowance should be made for the fact that the duty on fittings considered separately would be somewhat lower than the duty on wagons. Let me give it to you in figures. You stated just now in fact that during the difficult period a 27½ per cent. duty would be fair to take as the protection so far as wagons are concerned. If you consider also that orders for fittings should be placed in the country during that period, could we reasonably reduce that 27½ per cent. by a certain amount?

Mr. Roddick.—Certainly.

President.—Can you give us some idea of what that amount would be.

Mr. Roddick.—Assuming for a moment that we have no wagons at all and that we are simply dealing in fittings I should say a fair tariff for fittings would be in the neighbourhood of 17½ per cent.

President.—Assuming that you are getting such orders as there are for wagons and that you are also getting orders as there are for fittings in exactly the same way as Government is doing this year, on the two combined what would you consider a fair amount of duty?

Mr. Roddick.—If we get next year the same amount of order as we have got this year—you see in the case of this particular order for 3,000 drawbar hooks that I mentioned just now it so happened that we could get the material quickly and we have furnace and the steam hammer lying idle at the moment so that we can polish off that 3,000 before the wagon materials come out for us to take up the new orders.

President.—Assuming that you may get orders for fittings could we say that if instead of a 27½ per cent. a duty of 22 per cent. were placed on wagons and fittings, you would be able to compete?

Mr. Roddick.—No. In the case of fittings you must remember that we have got only fittings and no wagons. We are not handling the same amount of money and therefore we are not able to spread our charges over large sums of money.

President.—I don't think you have got quite what I meant. Supposing that Government places such orders as it has for wagons in India—a restricted number—it also places such orders as it has for fittings, what duty do you consider (taking both together) would be sufficient to enable you to quote as compared with the foreign manufacturer? You have stated that for wagons alone you want 27½ per cent. Now taking fittings also, that 27½ per cent. would reasonably come down, would it not, because you say for manufacturing fittings a lower duty would be sufficient. Do you see what I am after.

Mr. Roddick.—Yes.

President.—If you get the orders for fittings it might pay you to quote a price at a little less than 27 per cent. duty in order to get the orders for wagons.

Mr. Roddick.—No. The amount invested in the smith shop part of the plant would be not more than a third and those other plants will be lying idle.

President.—I am looking at it from the point of view of the firm when it tenders. Let us put it this way. We will suppose that you already have orders for fittings for the year and that owing to the fact—we will say that

the duty on fittings has been put at 20 per cent.—you are getting 7½ per cent. better price than you could reasonably expect. You only wanted a duty of 12½ per cent. on fittings. If the duty is 20 per cent., you would be getting 7½ per cent. more than you could reasonably expect to get. Now you come to tender for wagons. If your tender is within 27½ per cent. of the c.i.f. price with the erection charges of the imported wagons, your tender would be accepted. In view of the fact that you are making a small additional profit on fittings, would not the firm be in a position in order to get all the wagon orders to quote at a price of 25 per cent.?

Mr. Roddick.—What would the duty on fittings be?

President.—For the sake of argument we will say it is 20 per cent.

Mr. Roddick.—If the duty is 20 per cent. on fittings, we will be able to reduce it to 25 per cent.

President.—Some reduction at any rate.

Mr. Roddick.—Undoubtedly.

Dr. Matthai.—In addition to the amount of forgings that you have to make for wagons made in your works, supposing the Railway Board gives you, an order for spare fittings—an extra order sufficient to utilise the whole of your capacity for making forgings in your Dum Dum works, that necessarily means that the whole of your overhead on forgings would be covered because the forgings capacity would be utilised to the fullest extent.

Mr. Roddick.—Provided the fittings offered were suitable for our forging shop.

Dr. Matthai.—On the forgings side assuming that you get extra orders to utilise the whole of your forging capacity, you could estimate some reduction in the cost of forgings per wagon.

Mr. Roddick.—I admit that.

Orders in terms of C-2 wagons.

President.—You have told us that an underframe would be equal to 3 C-2 wagons.

Mr. Roddick.—Perhaps even a little more.

President.—The metre gauge underframe would be equal to about 2½.

Mr. Roddick.—Yes.

President.—And the four-wheeled underframe would be between 4/5ths and one C-2.

Mr. Roddick.—Yes.

President.—How would you say that an average complete metre gauge wagon compares with C-2?

Mr. Roddick.—In value or in weight.

President.—If we were trying to reduce the metre gauge into C-2, what proportion of C-2 wagon is equal to one metre gauge wagon.

Mr. Roddick.—There is another aspect to that—as regards value or as regards quantity.

Dr. Matthai.—Do you mean the quantity of material?

Mr. Roddick.—Yes, as regards output there is no comparison at all. We can turn out C-2 as we are at present situated much quicker than metre gauge. The main reason is that very often the railway Companies want metre gauge wagons as a whole. For instance in 1922-23 it had always been our practice in the past to ship the parts in a closed wagon and assemble them at the railway Company's site. The Madras, Southern Mahratta Railway could not give us accommodation. We had to ship those wagons as a whole with the wheels and axles. We have to get special trucks from the Bengal Nagpur Railway. The total number of those trucks is about 16 for the whole line and we had to wait for two months for the trucks to come back.

President.—Supposing your capacity is 1,000 for C-2 wagons, what number of narrow gauge wagon would be sufficient if you take any one particular type of metre gauge wagon to keep your works fully employed throughout the year?

Mr. Roddick.—Given despatching facilities practically the same number I should say. It might be 10 per cent. more given despatching facilities, but as a matter of fact we cannot get despatching facilities.

President.—Without de-patching facilities?

Mr. Roddick.—We can turn out half the number.

President.—You have not got despatching facilities.

Mr. Roddick.—Then the number will be reduced to half. Another thing is that we can turn out this metre gauge wagon as fast as the C-2 type if the railway Company can get us a plot of ground to erect them on their railway. We can despatch knocked down wagons to a metre gauge centre or a railhead and erect them there. Then we can get them out as fast as C-2.

President.—What I am trying to get at is this. Supposing we take an overhead of a lakh of rupees on an outturn of 500 C-2 wagons—these figures are merely for the sake of argument—that will give you Rs. 200 for overhead charges for C-2. Now metre gauge wagons are ordered instead of C-2. What number of metre gauge wagons would carry the same overhead?

Mr. Roddick.—10 per cent. more than C-2.

President.—If we took 550 metre gauge wagons that would be equal to 500 C-2.

Mr. Roddick.—I should say so provided we have despatching facilities. That is absolutely essential. Without despatching facilities we can do only half the number.

President.—Without facilities you would have to have an order for 1,000 wagons.

Mr. Roddick.—Quite.

President.—There is no prospect of your getting any facilities for despatch.

Mr. Roddick.—The prospects are quite good. If we can get from the railway Company a site to erect them on we can make the wagons and assemble them at the Company's site. We can make the various units of wagons, put them into a broad gauge wagon and send them to Santahar.

President.—You erect them on the metre gauge line.

Mr. Roddick.—Yes. We send out the necessary plant and men and they erect them there.

President.—If you are simply making your narrow gauge wagon and ship them off in a broad gauge truck . . .

Mr. Roddick.—It is a hopeless proposition.

President.—That is what is being done at the present moment.

Mr. Roddick.—I don't know. Originally we were asked to quote one price for erecting in our works and despatching from our works and another for erecting on the railway site.

Dr. Matthai.—Santahar is not very far from here. Supposing you got an order for the South Indian Railway, you don't have a metre gauge line close by.

Mr. Roddick.—We send it to Bezwada.

Dr. Matthai.—You don't have to have shops.

Mr. Roddick.—We do it in the open.

Dr. Matthai.—You have to send a special staff there.

Mr. Roddick.—An European Assistant and a few men.

Dr. Matthai.—Would that not be expensive?

Mr. Roddick.—Not a great deal. You have got also to remember that we are not paying any rent while we are erecting. We are able to clear our own yard rapidly and get more wagons down.

Dr. Matthai.—Do you know what is done at the present moment?

Mr. Roddick.—I don't know what the practice is.

Dr. Matthai.—You want 10 per cent. more than C-2 if the erection is made on the metre gauge line.

Mr. Roddick.—Yes.

President.—Could we take these other types of miscellaneous broad gauge wagons as being practically equal to C-2 or not?

Mr. Roddick.—What do you mean by broad gauge wagon? Do you mean underframes?

President.—Not underframes. The Railway Board does not mention the type of wagons, but merely refers to covered wagons.

Mr. Roddick.—I suppose when they mentioned covered wagons, I think they mean I. R. C. A. Standard A-1 or A-2.

President.—Could you say on a rough calculation whether A-1 or A-2 corresponds approximately to C-2?

Mr. Roddick.—There is more work on A-1 and A-2—at least 10 per cent. more.

Dr. Matthai.—If you look at these foreign tenders during the past four or five years you find C-2 tenders and A-1 tenders are practically the same.

Mr. Roddick.—Yes, that could be easily accounted for in this way. Where the trouble comes in is largely in the erection of these wagons.

Dr. Matthai.—It is mainly in the erection.

Mr. Roddick.—Yes. As a matter of fact I think the Railway Board makes a difference of about Rs. 100 in comparing the prices—about Rs. 225 as against Rs. 325. There is a lot more work in turning out A-1.

Miscellaneous types of wagons.

President.—We have here some statements as to the possibilities of orders in the near future. It is somewhat difficult to know whether they could be made in India. For instance take the case of horse boxes.

Mr. Roddick.—They can be made in India.

President.—How would the horse boxes compare with C-2?

Mr. Roddick.—The quantity is so small that we can't do at any reasonable price.

President.—What are tourist cars?

Mr. Roddick.—They are the cars in which the cold weather tourists go round India. There will be no more difficulty in making tourist car underframes than in making a carriage underframe, but the total number required is so small.

President.—Wagons—4-wheeled—petrol vans—Number Two. Wagons—4-wheeled—Liquid fuel wagons—Number Four.

Mr. Roddick.—If they ask us to quote for two, we can't quote for two at any price. Our first wagon on any contract requires an enormous 'bandobast.' Particularly the Indian workmen is not so intelligent as the British fellow. He doesn't thoroughly understand the drawing till he sees the first wagon. Our output improves at least 100 per cent. when they are able to see the first product.

President.—Exactly what is a rail or timber truck?

Mr. Roddick.—These trucks are long bogies. They are very heavy, 45 feet long.

President.—It is not an underframe.

Mr. Roddick.—It is a bogie underframe.

President.—It is called a wagon.

Mr. Roddick.—It is an underframe. It is entirely open.

President.—You say that it is a bogie underframe?

Mr. Roddick.—It is only the underframe they are talking about. I will tell you why it is called a wagon. When the timber or rail truck is completed as an underframe, it is a complete wagon, whereas an underframe for a carriage has to have the carriage put on it. That is the only explanation.

President.—We may take it that timber trucks are really bogies.

Mr. Roddick.—Yes.

Dr. Matthai.—What about four-wheeled salt wagons? Supposing you had an order for 20 or 30 four-wheeled salt wagons would you consider that a good order?

Mr. Roddick.—No.

Dr. Matthai.—Have you any facilities for erecting a salt wagon?

Mr. Roddick.—I don't think that there should be any difficulty.

President.—There are other various kinds of wagons. Take the case of sheep vans.

Mr. Roddick.—Is that an underframe?

President.—The statement shows underframes—four-wheeled—on the one side and wagons—four-wheeled—on the other side.

Mr. Roddick.—It is an underframe.

Dr. Matthai.—It is described as a four-wheeled wagon.

Mr. Roddick.—How many are there?

Dr. Matthai.—17.

Mr. Roddick.—It is very small.

President.—The number of ballast trucks required is 20.

Mr. Roddick.—The same remark applies to these too.

President.—The length is the same.

Mr. Roddick.—Yes, whether you put sheep or anything else on it. I don't see why these should not be standardised.

President.—Will there be any difficulty in building 17 sheep vans?

Mr. Roddick.—We could do then at a price.

President.—The design for a sheep van will be different from that of the ballast truck.

Mr. Roddick.—Yes.

Dr. Matthai.—Apart from the question of there being sufficient orders for each of these types, is there any inherent difficulty in making a particular design, say a petrol tank van?

Mr. Roddick.—There is no difficulty. Everything can be made.

President.—Can you tell me exactly what is a four-wheeled bogie wagon?

Mr. Roddick.—The bogie wagon is the bogie underframe.

President.—Please see this statement. It is divided into two parts underframes and wagons. Again underframes are divided into bogies and four-wheeled. Now we come to wagons. There also wagons are divided into bogies and four-wheeled.

Mr. Roddick.—There are such things as covered goods bogie wagons. We have made them in the past.

President.—That is what they mean.

Mr. Roddick.—Is that metre gauge?

President.—5' 6" gauge. Could those be undertaken by you?

Mr. Roddick.—Yes. How many are there?

President.—Two.

Mr. Roddick.—We could not do at any price.

Dr. Matthai.—Even if you get that with various other things.

Mr. Roddick.—This year we were asked to quote for petrol tanks. The price we had to put in was a ridiculous figure.

Dr. Matthai.—15 petrol tanks would not be an economic proposition.

Mr. Roddick.—No. If there is nothing else, we have to put up the price and take it.

President.—The sulphuric acid tank wagon can be made here.

Mr. Roddick.—Yes.

President.—Can it be made at any reasonable price?

Mr. Roddick.—No.

Dr. Matthai.—Can you make four-wheeled salt wagons?

Mr. Roddick.—We can make them.

President.—What would be an economic proposal?

Mr. Roddick.—A couple of hundreds.

President.—50 salt wagons for the Assam Bengal Railway would be economical.

Mr. Roddick.—No, it would not be. Still we should quote for 50. We could not make them at any commercial price.

President.—The reason why I was asking you these questions is this. There are some orders placed in England for wagons of these various types. We really wanted to know whether there was any possibility of the firms out here making these at anything like a reasonable price. The total number placed comes to 60 or 70.

Mr. Roddick.—No. The ordinary workman at home is far more adaptable to the odds and ends than the Indian labourer.

Material required for a narrow gauge wagon.

President.—As compared with C-2 wagon, how much material goes into a narrow gauge wagon? Take a typical wagon.

Mr. Roddick.—We have got a figure for A-1 wagon.

President.—Have you got any figures for a metre gauge wagon?

Mr. Roddick.—I could not give you a guess for that.

President.—According to the statement given on page 298, Evidence, Volume IV, 1926, it comes to about four tons.

Mr. Roddick.—Yes.

President.—The cost above material on a metre gauge wagon would be much less than on a C-2 wagon?

Mr. Roddick.—It would be somewhere about the same.

President.—The difference between the costs of a metre gauge wagon and those of a broad gauge wagon comes in largely in the cost of material.

Mr. Roddick.—Almost entirely.

Dr. Matthai.—Supposing a wagon works is making 2,000 C-2 wagons and another works is making 2,000 metre gauge wagons, the proportion of the weight of materials is 7 to 4. In that case the cost of a metre gauge wagon would be $\frac{4}{7}$ th of the cost of a C-2 wagon.

Mr. Roddick.—No, because the difference is owing to the steel in the wagon.

Dr. Matthai.—Is it special quality steel?

Mr. Roddick.—No, ordinary steel. You have got a certain amount common. Certain forgings are common. Forgings are very expensive items. The difference that you get in the over all price is due to the difference in the sections, $1\frac{1}{2}$ tons as against $2\frac{1}{2}$ tons.

Dr. Matthai.—Supposing you had an attractive proposition for metre gauge wagons, what would you quote for a metre gauge wagon if the price of a C-2 wagon were Rs. 3,000?

Mr. Roddick.—I would not like to say off-hand.

Dr. Matthai.—I don't want to commit you to any figure.

Mr. Roddick.—Our price for a C-2 wagon was Rs. 3,491.

Dr. Matthai.—That was when?

Mr. Roddick.—That was in the tender dated November 10th, 1925. Our price for C-2 was Rs. 3,491. We also quoted for M. G. A-1 type in that particular instance at Rs. 2,704. Actually the order for C-2 wagons was placed with the Standard Wagon Company at Rs. 3,110. There again when you get a whole stream of wagons to quote for in one tender in which you specialise you can always quote a particular price. We don't specialise in C-2. So we got the A-1 and A-2. This last order was absurd. They gave us only a fortnight in which to tender; usually they gave us eight weeks but even in 8 weeks it is an enormous amount of work to get figures out for each type.

Charges.

Dr. Matthai.—I want to get some idea of the way in which you estimate your charges because you have got your own system of estimating the overhead expenses. I understood from what you told us last time when you were here that you got your actual expenditure on raw material and your actual expenditure on direct labour and then you applied a certain proportion, so much per cent. of material and so much per cent. of the direct labour charges and that constituted your trade charges. You do not keep any detailed statement with regard to these trade expenses?

Mr. Roddick.—We have already supplied them to the Board. We keep a detailed statement of the trade expenses; we can allocate it in two or three ways. The first way is this. We say 5 or 10 per cent. on material, 200 per cent. of 100 per cent. on labour and we get two figures which come to a certain amount. These two figures are taken from the actual figures that have been debited to that department, that you get under the heads unproductive charges, European and Indian establishment, coal, power and so on. They total up to so much non-productive charges. Against that you have the productive labour bill so much and there is a ratio between the two.

Dr. Matthai.—From your experience you find that these particular percentages are justified?

Mr. Roddick.—The percentage of productive labour would vary as much as between 80 to 100 per cent. to 300 per cent.

Dr. Matthai.—Have you got the on-cost system?

Mr. Roddick.—We have.

President.—The system of on-cost is to ascertain by experience what is the ratio between the charges and direct labour.

Mr. Roddick.—We ascertain that for six months.

President.—You then allocate on a normal output the charges in proportion to direct labour on this ratio?

Mr. Roddick.—Yes.

President.—Anything above that you charge as "loss on charges"?

Mr. Roddick.—We have not got that system.

President.—That is to say supposing you are turning out normally, your charges will be a fixed ratio on direct labour.

Mr. Roddick.—We do not simply put that under the heading "Loss on charges." We don't have a separate item like that. We go even further. We have a revenue statement in which we put all our charges against productive and non-productive. In addition to that we have got three or four big orders going and we get the productive costs of each of those orders and allocate the ratio of these non-productive charges against each order.

President.—In the same way of course you allocate the expenses on works in progress?

Mr. Roddick.—Yes and also the labour ratio for wagons are lumped together, but you will find that labour which is not using machines really

carries a different overhead ratio to the labour working in the blacksmith shop for instance.

Dr. Matthai.—Last year your representative told us that in wagons your charges amount to 5 per cent. on material and 80 per cent. on direct labour.

Mr. Roddick.—I can show you the figures this year; that shows a perfectly ridiculous figure.

Dr. Matthai.—I gathered from your evidence in previous years that if you took 5 per cent. for material on wagons and 80 per cent. on direct labour on wagons, in estimating your trade expense on fabricated steel you would take roughly 10 per cent. on materials and about 250 per cent. on labour?

Mr. Roddick.—That is about the average.

Dr. Matthai.—I should like to know clearly how you account for this difference. There are two ways in which you can explain the difference in charges. The first is, it may be the same overhead in both cases taking each unit of output. But in wagons some of the materials are more expensive and the labour also may be perhaps more expensive so that a lower percentage on them would give the same overhead as on fabricated steel. That is one explanation. Another explanation is that the overhead per unit of wagon is actually less than on fabricated steel: Generally in regard to wagons in past years you could do mass production, you had certain standard types and therefore within a given period your output would be bigger because there was standardized production. Necessarily the overhead would be lower per unit and therefore you could take a lower percentage on wagons. You have to take a higher percentage for fabricated steel because it is not standardized production.

Mr. Roddick.—That is also true up to a point. But the simplest way I can explain it is this: First of all ignore the question of material; simply let us say we spent Rs. 10 lakhs in buying certain material. In the first instance before we turn it into percentages it costs us a lump of so much to order the material and to do this, that and the other. Now to operate this 10 lakhs of rupees you require certain staff and you say that staff would represent 5 per cent. The same thing happens with labour. You have so much productive labour and say you have spent a lakhs of rupees a year on productive labour but it would cost you in a structural establishment 2½ lakhs of rupees to supervise the spending of that 1 lakh, and to provide the necessary power so that it can be spent. You have got to provide power, light, you have got to allow for depreciation and this that and the other. The moment the labour bill drops to half a lakh owing to a coal strike, for instance, this charge goes up to 500 per cent.

Dr. Matthai.—From your explanation I take it the difference is accounted for partly on one ground and partly on the other?

Mr. Roddick.—As compared with structural work wagons take less supervision, less power to turn out a wagon but for the hand labour that the man does he gets the same because for wagons we don't give them electric cranes but for structural work we have to provide electric cranes and we have got to strike an average and that average varies amazingly. Actually during the last four months it has gone up nearly by 100 per cent.

Bolts and Nuts.

President.—Do you manufacture bolts and nuts?

Mr. Roddick.—Yes.

President.—Can you give us any idea of the amount you turn out in the year?

Mr. Roddick.—Probably 200 tons a year. We use these ourselves. We have tried making bolts and nuts for railway companies, such as fishbolts and nuts, but in these continental and home prices are so cheap that we cannot compete.

Dr. Matthai.—Are fishbolts different from other bolts?

Mr. Roddick.—Yes, they are very hard to make. You must have very powerful machines and you require a tremendous amount of power.

President.—Can you give us any quotation as to the import price for bolts and nuts?

Mr. Roddick.—We will do that.

Dr. Matthai.—Do you make your own nuts?

Mr. Roddick.—No. We can't compete with people who are making millions.

President.—You are at a disadvantage because of the protective duty on steel?

Mr. Roddick.—Yes. The protective duty on all this steel is Rs. 26 a ton.

President.—Have you ever considered the extent of the disadvantage so far as bolts and nuts are concerned?

Mr. Roddick.—No. My view has always been that if we have to compete with the Continent we would require a prohibitive duty, and therefore it was no use asking for it. We have the machines and there are men to work them in India. At present of the only two companies I think one is going to be sold next week and the other went into liquidation. But the manufacture of dogspikes is quite a good proposition.

Steel castings.

President.—Have you any recent quotations for castings, let us say for axle boxes, 10"×5".

Mr. Roddick.—We have them on the wagons. We are importing them from Germany; they are arriving this week.

President.—Can you send us the most recent quotations?

Mr. Roddick.—I think we gave you that.

Dr. Matthai.—You gave us for April 1924. Could you give us anything later than that?

Mr. Roddick.—These are the same that are arriving now. On these wagon orders we simply got notice of the percentages up and down. We had no time to get the details. We merely cabled "Referring your quotation of April 1926 state if our prices are up or down under the following headings" and we were informed that Continentals are stiffening to the tune of 15 per cent.

President.—Can you amend your statement of April 1926 on the basis of that reply?

Mr. Roddick.—Yes. When we put the enquiry out we were told that the prices were stiffening daily. There was an increase in the price of axle boxes and since we had that order we got wires twice from our London office saying for Heavens sake place these orders at once because prices are stiffening every-day. We can't place them because we have not got the drawings right.

President.—Since a year there has been a considerable increase in the price of castings?

Mr. Roddick.—I should like to reply to that later.

* * * * *

IV.—*Letter from the Tariff Board, to the Railway Board, Simla, dated 22nd April 1927.*

I am directed to inform you that the Tariff Board has now to proceed with its report on the railway wagon and underframe building industry and to ask that information may kindly be supplied on the following points:—

I. What orders have been placed by the Railway Board for the construction of broad gauge and metre gauge railway wagons and carriage underframes for delivery in 1927-28.

(a) in India.

(b) abroad?

The names of the firms with whom the orders have been placed may please be given.

II. At what prices were the various orders placed?

III. What orders for the construction of broad gauge and metre gauge railway wagons and carriage underframes are likely to be placed for delivery in each of the years 1928-29, 1929-30 and 1930-31?

IV. What orders have up to the present been placed in India for wagon and underframe forgings and castings and with what firms?

V. At what prices have such orders, if any, been placed?

VI. What are the probable requirements of the railways under the control of the Railway Board for wagon and underframe forgings and castings as spare parts, etc., during the years 1927-28, 1928-29, 1929-30 and 1930-31?

VII. It is understood that the Peninsular Locomotive Works, which have recently been acquired by Government, are being converted for the manufacture of underframes. The Board would be glad to know by what date it is estimated that the alterations will be completed and what output of underframes per annum is likely to be attained.

2. I am to add that the Tariff Board would be grateful if this information could be supplied as quickly as is convenient.

V.—Railway Board.

Letter dated 2nd May 1927.

The Railway Board understand that the Tariff Board are anxious to have by the 4th May as much of the information asked for in your letter No. 348 of the 22nd April 1927 as can be collected by that date. The information which they have been able to collect at such short notice is given below.

2. *Paragraph (i) (a) of your letter.*—Statement A gives those orders placed by State-owned railways with Indian firms for wagons and underframes to be delivered in 1927-28, of which the Railway Board are aware. Of these orders those for 29 bogie underframes and 113 four-wheeled underframes (given to Burn & Co.) for the East Indian Railway were placed last January; and that for 93 bogie underframes (given to Jessop & Co.) for the Great Indian Peninsula Railway was placed in June 1926, but delivery is not likely to commence until October or November next. The remaining orders were placed as the result of calls for tenders issued last March in India only.

In addition Messrs. Jessop & Co. have still to deliver 61 A-1 wagons ordered from them for the North Western Railway for delivery in 1926-27 at a price of Rs. 3,485 apiece, and 30 A-2 wagons ordered from them for the East Indian Railway for delivery in 1926-27 at a price of Rs. 3,573 apiece; and the Peninsular Locomotive Company have still to deliver 129 A-2 wagons ordered from them by the East Indian Railway for delivery in 1926-27 at a price of Rs. 3,898 apiece.

Further (a) the Eastern Bengal Railway have called for tenders in India only for 25 metre gauge bogie timber trucks and 1 metre gauge boiler truck. The results are not yet known.

(b) The Bengal Nagpur Railway require 15 petrol tank wagons, 15 coal tar wagons and 50 coupling underframes. It is understood that they are about to call for tenders in India only for this stock.

(c) The East Indian Railway may possibly, but not very probably, be in the market for 115 four-wheeled brake-van underframes.

(d) The Assam-Bengal Railway require 20 bogie coaching underframes for supply commencing in October next.

Paragraph (iii) of your letter.—The Railway Board's information is as follows:

(a) The Assam-Bengal Railway have been authorised to place orders abroad for 50 four-wheeled salt wagons.

(b) The East Indian Railway have been authorised to place orders abroad for 15 petrol tank wagons, 1 sulphuric acid tank wagon, and 3 powder vans.

(c) The Bombay, Baroda and Central India Railway have been authorised to place order abroad for 5 petrol tank wagons.

No information is available with regard to other State-owned railways. It is unlikely that orders for this stock have yet been placed abroad by the three railways concerned.

Paragraph (iv) of your letter.—The prices at which the various orders have been placed in India are given in Statement A and in the previous paragraph, they are exclusive of wheels and axles. The Tariff Board will observe that in certain instances different prices are quoted for different parts of the same order. This is due to minor variations in the types of wagons and underframes ordered. The Railway Board suggest that if information as to these difference is required, the Tariff Board should obtain it from the railways concerned.

No information is available as to the prices of imported wagons and underframes to be delivered in 1927-28, or as to the names of the firms from whom they will be obtained. As has been explained it is unlikely that orders have yet been placed abroad for 1927-28 deliveries.

Paragraph (v) of your letter.—Statements B are appended showing for each railway the wagons and underframes likely to be ordered for delivery in 1928-29. The figures have not yet been finally settled by the Railway Board, but can be taken to be reasonably accurate except for the Madras and Southern Mahratta and Bengal Nagpur Railways. Revised figures will be furnished to the Tariff Board as soon as they have been settled by the Railway Board. Similar Statements C and D are attached showing the demands for wagons and underframes at present entered by railways for the years 1929-30 and 1930-31 in their quinquennial programmes. The Railway Board must warn the Tariff Board against placing any great reliance on the figures in Statements C and D, though they contain the only information likely to be available in the near future. Judging from past experience, these figures will be materially modified by railways themselves when their next revision of the quinquennial programme is made about February 1928. The Railway Board have not themselves examined the figures at all; they are not in fact in a position to do so effectively until much nearer the time when the wagons and underframes are likely to be required.

Paragraphs (iv), (v) and (vi) of your letter.—The Railway Board do not get this information, since the ordering of wagon and underframe forgings and castings is left to individual railways. It is suggested that a reference should be made to them. The Railway Board are doubtful if much reliance can be placed on any estimates for orders after 1927-28.

Paragraph (vii) of your letter.—The Railway Board's plans for utilising the Peninsular Locomotive Company's works for the manufacture of underframes are only now being worked out. They hope it will be possible to complete such alterations, and additions to equipment, as are necessary in about a year or eighteen months' time so as to manufacture about 200 underframes in the year 1928-29. Subsequently the works should have an output of about 500 underframes per annum.

STATEMENT "A."

Orders placed with Indian firms for delivery of Wagons and Coaching Underframes during the year 1927-28.

Names of Firms.	Orders placed.	Contract price per unit.
		Rs.
Indian Standard	50 B. G. Bogie timber trucks for the E. B. R.	8,391
Wagon Company	172 M G. 4-wheeled wagons for the B. & N. W. and R. & K. Railways.	2,137
	450 do M. & S. M. Railway.	230 at 2,668 220 at 2,478
	596 do S. I. Railway	400 at 2,453 196 at 2,354
Burn & Company	113 B. G. Bogie rail trucks for E. I. R.	8,426
	50 B. G. Bogie underframes for E. I. R.	19 at 9,679 31 at 9,568
	29 Bogie underframes for E. I. R.	10 at 9,118 9 at 9,229 10 at 9,573
	113 4-wheeled underframes for E. I. R.	71 at 2,612 40 at 2,578 2 at 1,841
	205 B. G. bogie underframes for N. W. R.	9,406
Jessop & Company	123 bogie underframes for G. I. P. Rly.	14 at 9,590 82 at 9,533 27 at 9,677
	13 4-wheeled underframes for G. I. P. Rly.	4 at 2,873 9 at 2,756
	93 Bogie underframes for G. I. P. Rly.	11 at 9,607 60 at 9,550 22 at 9,694
	66 do E. B. Rly.	14 at 10,092 37 at 10,035 12 at 9,846 3 at 10,179
	43 4-wheeled underframes for E. B. R.	2,479
	39 do E. I. R.	2,732

STATEMENT "B."

Wagons and Underframes likely to be noticed for delivery in 1928-29. (Not definite.)

EASTERN BENGAL RAILWAY.

5'—6" Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
15	1st, 2nd and Inter.	7	Horse Boxes.
6	III and Brakes.	10	Motor Vans.
7	I class.	6	Tourist Cars.
1	I and 2nd Class.	4	Store Vans.
6	Inter and III Class.		
21	3rd Luggage and Brake.		
2	III Class.		

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

5'—6" Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		Bogies.	
No.	Description.	No.	Description.	No.	Description.
13	III Class.	9	Horse Boxes.	2	Rail Wagons.
8	III and Brake and Luggage.	4	Carriage Trucks.		
1	1st Class.	22	Brake Vans (Goods).		
2	1st, 2nd and 3rd Class	1	Powder Van.		

STATEMENT "B."

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

5' 6" Gauge.

Wagons.

4-Wheeled.

No.	Description.	No.	Description.
2	Petrol Vans.		
2	Liquid fuel wagons.		
4	Motor Trucks.		

BENGAL NAGPUR RAILWAY.

5' 6" Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
9	1st and 2nd.	8	Officers' Carriages.
23	Brake, Luggage and Postal.		
7	Inter.		
4	Inter. and Mail.		

NORTH WESTERN RAILWAY.

5' 6" Gauge.

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
4	2nd and 3rd Class Trucks		

STATEMENT "B."
SOUTH INDIAN RAILWAY.
5' 6" Gauge.

Underframes.			
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
46	3rd Class.	9	Goods Brakes.
2	Tourist Carriages.		

GREAT INDIAN PENINSULA RAILWAY.
5' 6" Gauge.

Underframes.			
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
3	Saloons for public traffic.	79	Parcel Vans.
10	Restaurant Cars.	1	Covered Motor Van.
7	Fruit and Parcel Vans.	54	Horse Boxes.
2	Post and Brake.		
4	Parlour Bogies.		
7	Postal Vans		

EAST INDIAN RAILWAY.
5' 6" Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
25	II and Inter. Class.	17	Motor Vans.	17	Sheep Vans.
4	Inter. and 3rd Class.			10	Petrol Vans.

STATEMENT "B."

EAST INDIAN RAILWAY—contd.

5' 6" Gauge—contd.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
60	III, Luggage and Brake.			20	Ballast trucks.
4	III and Brakes.			8	Miscellaneous Wagons.
7	III and Post Office.				
2	Tourist Cars.				
1	Sleeping Car.				
2	Restaurant Cars.				
8	Parcel Vans.				
12	1st and 2nd and Inter.				
6	2nd Class.				
10	Inter. Class.				
46	III Class.				

POREBHUND KUMAON RAILWAY.

Metric Gauge.

Wagons.

Trucks.		4-Wheeled.	
No.	Description.	No.	Description.
16	Timber Trucks.	20	Ballast trucks.

STATEMENT "B."

EASTERN BENGAL RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
6	I, II, and Inter.	15	Motor Vans.
16	3rd Class.	5	Brake Vans.
5	Inter. and 3rd.	3	Inspection Vans.
20	Luggage and Brake.	3	Horse Boxes.
10	3rd, Luggage and Brakes.	3	Carriage Trucks.
1	Invalid Car.	3	Tourist Cars.*

* 6-wheeled.

ASSAM BENGAL RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
14	Inter.	5	Brake Vans.
7	Brake and Inter.	3	Fish Vans.

BENGAL AND NORTH-WESTERN RAILWAY.

Metre Gauge.

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
10	Timber trucks.	200	C. G. Wagons.

STATEMENT "B."

SOUTH INDIAN RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
58	3rd Class.	13	Brake Vans.
12	Brake and 3rd Class.		
8	1st and 2nd Class.		

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
75	Covered Wagons.	400	Covered Goods.
		60	Open Goods.
		110	Ballast Wagons.

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
3	I, II and 3rd Class.	2	Luggage Vans.
1	Inter. and 3rd Class	6	Horse Boxes.
17	III, Brake and Luggage.	11	Brake Vans.

STATEMENT "B"

MUMBAI AND SOUTHERN MARATHA RAILWAY—1914.

Motor Goods—1914.

Wagons.			
Motor.		4-Wheeled.	
No.	Description.	No.	Description.
1	Motor Trucks.	13	C. G. Wagons.
		3	Panel Wagons.
		4	Tool Vans.
		1	Order Truck.

STATEMENT "C."

MUMBAI AND SOUTHERN MARATHA RAILWAY.

4-Wheeled Goods—1914.

Statement showing the number of 4-wheeled goods wagons in service at the end of the year, and the number of 4-wheeled goods wagons in service at the end of the year.

Undercarriage.			
Motor.		4-Wheeled.	
No.	Description.	No.	Description.
1	Motor Trucks.	13	C. G. Wagons.
2	Motor Trucks.	3	Panel Wagons.
3	Motor Trucks.	4	Tool Vans.
4	Motor Trucks.	1	Order Truck.
5	Motor Trucks.		
6	Motor Trucks.		
7	Motor Trucks.		
8	Motor Trucks.		
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94	Motor Trucks.		
95	Motor Trucks.		
96	Motor Trucks.		
97	Motor Trucks.		
98	Motor Trucks.		
99	Motor Trucks.		
100	Motor Trucks.		

STATEMENT "C."

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

5' 6" Gauge.

Underframes.		Wagons.	
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
3	I and II class.	2	Petrol Wagons.
		2	Liquid Fuels.
		100	Steel Wood Composites.

EAST INDIAN RAILWAY.

Broad Gauge.

Underframes.		Wagons.	
Bogies.		6-Wheeled.	
No.	Description.	No.	Description.
3	I and II class.	2	Petrol Wagons.
3	I and II class.	2	Liquid Fuels.
41	I and II class.	100	Steel Wood Composites.
22	I and II class.	2	Petrol Wagons.
2	I and II class.	2	Liquid Fuels.
2	I and II class.	100	Steel Wood Composites.

STATEMENT "C."

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

5' 6" Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
2	I, II and III class.	2	Tool Vans.	140	Cattle Wagons.
1	I class.			154	Open goods.
2	II class.				
3	III, Brake and Luggage.				
1	Inter. and III.				
1	I and II class.				

GREAT INDIAN PENINSULA RAILWAY.

Broad Gauge.

Underframes.		Wagons.	
Bogies.		4-wheeled.	
No.	Description.	No.	Description.
7	I and II class.	200	Open goods wagons.
2	Saloons for public use.	500	Covered goods wagons.

STATEMENT "C".
BENGAL NAGPUR RAILWAY.
Broad Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
1	Inter. class.	8	Officers' carriages.
24	III class.		

NORTH-WESTERN RAILWAY.
Broad Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
2	Bogie Saloon carriages.	11	Ordinary R. B. Carriages.
3	Bogie I class carriages.	4	Ordinary II class carriages.
28	Bogie composite, I & II class.	5	Ordinary composites; I & II class.
33	Bogie Inter. & III class carriage.	4	Horse Boxes.
43	Bogie Brake, Luggage & III.	5	Covered carriage trucks.
93	Bogie III class carriage.	22	Freight Vans.

STATEMENT "C".

NORTH-WESTERN RAILWAY—*contd.*Broad Gauge—*contd.*

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
20	Bogie High-sided wagons, B. C. I. type.	264	Covered Goods Wagons, ordinary. A1 type.
46	Bogie Low-sided Wagons.	44	Ordinary low-sided wagons, C3 type.
6	Bogie rail and timber trucks, B. D. I. type.	10	Oil tank wagons, J1 type.
		12	Powder Vans.
		6	Water tanks.

SOUTH INDIAN RAILWAY.

Broad Gauge.

Underframes.		Wagons.	
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
22	III class.	50	Steel covered goods wagons.
		80	Steel open goods wagons.

ROHILKUND AND KUMAON RAILWAY.

Metre Gauge.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
10	Timber Trucks.	23	Low-sided Trucks.

STATEMENT

BENGAL AND NORTH-WESTERN RAILWAY.

Metre Gauge.

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
10	Timber Trucks.	200	Covered Goods Trucks.

BURMA RAILWAYS.

Metre Gauge.

Underframes.			
Bogies.			
No.	Description.	No.	Description.
5	I and II class.		
23	III class.		
4	Women's III.		
5	Brake Van and III.		

Burmese Railway.

Metre Gauge.

Underframes.

Bogies.

No.	Description.
14	Inter class Bogie.
39	Inter. and III class.
7	Brake Van and III class.

STATEMENT "C".

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

Metre Gauge.

Underframes.			
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
53	III class.	12	Weighted Brake Vans.
1	Tourist Car (small).		
1	Tourist Car (large).		
1	Restaurant Car.		
2	Brake Vans.		
5	Luggage Vans.		
4	III and Mail Vans.		

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
2	Petrol Wagons.	200	Covered Goods Wagons.

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

Metre Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
2	I and II class.	1	Inspection Carriage.	3	Petrol Tanks.
3	III class.	3	Horse Boxes.	212	Covered Goods Wagons.
		2	Goods Brake Vans.	45	Open Goods.
		3	Powder Vans.		

STATEMENT "C."

SOUTH INDIAN RAILWAY.

Metre Gauge.

Underframes.		Wagons.			
Bogies.		Bogies.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
53	III class.	75	Steel covered Goods Wagons.	400	Steel Covered Goods Wagons.
2	III class with mails.	70	Steel high-sided.	115	Steel Open Goods Wagons.
8	I and II class.			60	Ballast Wagons.
				18	Steel Rail Trucks.
				24	Steel Goods Brake Vans.

EASTERN BENGAL RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheel'd.	
No.	Description.	No.	Description.
3	I, II and Inter.	6	Horse Boxes.
20	III class.	310	Brake Vans.
8	Inter and III class.	1	Tourist Car.
4	Luggage and Brake.	3	Inspection Vans.
4	III, Luggage and Brake.	3	Accident, III and Brake.
1	III and Postal.		

STATEMENT "D."

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

5'-6" Gauge.

Statement showing the demands for wagons and underframes at present entered by railways for the year 1950-51 in their quinquennial programmes.

Underframes.				Wagons.	
Region.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
4	I and II class.	3	Luggage Vans.	2	Petrol Wagons.
				2	Liquid Fuels.
				100	Steel-wood Composites.

SOUTH INDIAN RAILWAY.

Broad Gauge.

Wagons.	
4-Wheeled.	
No.	Description.
31	Steel C. G. Wagons.
11	Steel O. G. Wagons.

STATEMENT "D."
GREAT INDIAN PENINSULA RAILWAY.
Broad Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
12	I and II Class.	4	Horse boxes.	200	Open Goods Wagons.
22	III Class.	1	Covered Motor Van.	500	Covered Goods Wagons.
9	III, Brake and luggage.				

EASTERN BENGAL RAILWAY.

5'-6" Gauge.

Underframes.			
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
1	I, II and Inter. Class.	3	I Class.
4	III Class.	1	I and II Class.
10	Inter. and III Class.	1	Poultry Van.
2	III and Brake.	1	Carriage Truck.
1	I Class.		
2	I and II Class.		
2	III, Luggage and Brake.		
1	III and Postal.		

STATEMENT "D."

NORTH WESTERN RAILWAY.

Broad Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
2	Bogie Saloon Carriages.	11	Ordinary R. B. Carriages.
3	Bogie I Class ,,	4	Ordinary 2nd Class Carriages.
28	Bogie Comp., 1st and 2nd class.	5	Ordinary Composites, 1st and 2nd.
33	Bogie Inter. and III class.	4	Horse Boxes.
43	Bogie Brake, Luggage and 3rd.	5	Covered Carriage Trucks.
93	Bogie III Class Carriage.	22	Freight Vans.

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
20	Bogie Highsided Wagons, B. C. I. type.	1,264	Covered Goods Wagons, ordinary A1 type.
46	Bogie Lowsided Wagons.	44	Ordinary Lowsided Wagons, C. 3 type.
6	Bogie Rail and Timber Trucks, B. D. 1 type.	10	Oil Tank Wagons, J. 1 type.
		12	Powder Vans.
		6	Water Vans.

STATEMENT "D."

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

5' 6" Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
30	III Class.	8	Inspection Carriages.	70	C. G. Wagons.
8	I, II and III Class.	...	.....	103	Open Goods.

BENGAL NAGPUR RAILWAY.

Broad Gauge.

Underframes.			
Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
16	I and II Class.	8	Officers' Carriages.
13	Brake, Luggage and Postal.	...	.. ..
10	Inter. Class.	...	.....
48	III Class.	...	.....

STATEMENT "D."

EAST INDIAN RAILWAY.

Broad Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
6	Inter. Class.	12	Horse Boxes.	520	Open wagons.
36	III Class.	39	Brake Vans, Goods.	650	Covered wagons.
3	1st, 2nd and Inter. Class.	...	.....	20	Ballast trucks.
7	III, Luggage and Brake.	...	.....	8	Miscellaneous.
2	III and Post Office.	...	.....	...	.....

ASSAM-BENGAL RAILWAY.

Metre Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
50	Inter. Class Bogies.	5	Brake Vans.	100	C. G. Wagons.
5	Brake Van Inter. Compos.	2	Fish Vans.	...	.....

STATEMENT "D."

EASTERN BENGAL RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
3	I, II and Inter.	15	Brake Vans.
9	III Class.	2	I Class.
8	Inter. and III.	2	I and II Class.
10	III, Luggage and Brake.	2	Luggage Vans.
		5	Tourist Cars.
		5	Inspection Vans.
		5	Caboose Brake Vans.

BURMA RAILWAY.

Metre Gauge.

Underframes.		Bogies.	
No.	Description.	No.	Description.
5	I and II Class.		
23	III Class.		
3	Women's III Class.		
5	Brake Van and III Class.		

STATEMENT "D."

BENGAL AND NORTH-WESTERN RAILWAY.

Metre Gauge.

Wagons.

4-Wheeled.

No.	Description.
200	C. G. Wagons.

MADRAS AND SOUTHERN MAHRATTA RAILWAY.

Metre Gauge.

Underframes.				Wagons.	
Bogies.		4-Wheeled.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
2	Inter. and, III Class.	8	Carriage Trucks.	181	C. G. Wagons.
1	I, II and III Class.	2	Loco. Oil Vans.		

STATEMENT "D."

BOMBAY, BORODA AND CENTRAL INDIA RAILWAY.

Metre Gauge.

Underframes.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
40	III Class.	4	Covered Motor Trucks.
1	Tourist Car (large).	12	Weighted Brake Vans.
2	Brake Vans.		
5	Luggage Vans.		
5	III and Brake Vans.		
13	Brake Vans.		
4	III and Mail Van.		

Wagons.

Bogies.		4-Wheeled.	
No.	Description.	No.	Description.
2	Petrol Wagons.	174	C. G. Wagons.
3	Timber Trucks.	100	Steel Ballast Wagons.
		10	Wood Live Stock.

STATEMENT "D."

SOUTH INDIAN RAILWAY.

Metre Gauge.

Underframes.		Wagons.			
Bogies.		Bogies.		4-Wheeled.	
No.	Description.	No.	Description.	No.	Description.
55	III Class.	75	Steel C. G. Wagons.	224	Steel C. G. Wagons.
25	Brake Van and III Class.			60	Steel Ballast Wagons.
2	III Class with Mails.				
8	I and II Class.				

VI.—Indian Stores Department.

(1) Letter dated the 14th/16th May 1927.

In the course of the conversation Gahan and I had with you on the 9th instant I undertook to give you approximate figures of the value of orders placed by the E. B. Railway against their requirements for Locomotive and Carriage and Wagon parts (local manufacture) 1926-27.

I enclose a statement giving the values of the orders for 49 out of the 51 items for which tenders were invited in India. Orders for items 47 and 48 were not passed to my office for inspection so I do not know the value or the name of the successful tenderer, if any. They are probably being imported. All the orders were placed with firms in India but those shewn in column II are being imported, not made in the country.

The percentage being locally made, viz., 52 per cent. is higher than I thought. I was misled by the fact that most of the more important items are being imported.

Carriage and Wagon parts 5' 6" Gauge for Eastern Bengal Railway.

Item No.	Description of parts required.	Quantity required.	Rate.	Amount.		
				Local.	Rs. A. P.	Import.
1	Axleguards gap $7\frac{1}{8}"$	100	Rs. A. P. 2,250 0 0 lot	Rs. A. P. 2,250 0 0	Rs. A. P. ...	...
2	Do. $6\frac{3}{8}"$	300	6,450 0 0 "	6,450 0 0	...	...
3	Do. $7\frac{1}{8}"$ to sheet No. 7	50	22 0 0 each	1,100 0 0	...	...
4	Axleguard bridle for $6\frac{3}{8}"$ axleguard	1,200	1 10 0 "	1,950 0 0	...	...
5	Do. " $7\frac{1}{8}"$	200	1 10 9 "	334 6 0	...	...
6	Do. " $7\frac{3}{8}"$	800	1 11 0	1,350 0 0	...	...
7	Do. " A3 type wagons	200	0 11 0	137 8 0	...	...
8	Do. " American wagons	200	0 15 0	187 8 0	...	...
9	Do. " $9\frac{1}{8}"$ centre hole	50	1 9 0	78 2 0	...	...
10	Cotter Split for drawbar hook $4\frac{1}{2}" \times 1\frac{1}{2}" \times \frac{3}{8}"$	6,000	0 2 6	937 8 0	...	...
11	Do. do. $4\frac{1}{2}" \times 1\frac{1}{2}" \times \frac{1}{4}"$	6,000	15 0 0 %	900 0 0	...	...
12	Do. handbrake lever $3\frac{1}{4}" \times 1" \times \frac{1}{4}"$	1,200	12 6 0 %	148 8 0	...	...
13	Do. do. $3\frac{1}{4}" \times 1\frac{1}{4}" \times \frac{5}{16}"$	1,200	0 2 0 each	150 0 0	...	...
14	Do. drawbar Shackles pins $3" \times \frac{3}{4}" \times \frac{5}{16}"$ with-	6,000	0 1 8 "	625 0 0	...	...
15	Do. with $\frac{3}{8}"$ rivet hole	6,000	0 1 9 "	656 4 0	...	...
16	Do. for drawbar spindle $4\frac{3}{8}" \times \frac{1}{4}" \times \frac{3}{8}"$	12,000	14 12 0 %	1,770 0 0	...	...
17	Do. drawbar securing pins $3\frac{1}{4}" \times \frac{1}{8}" \times \frac{1}{4}"$	1,200	11 0 0 %	132 0 0	...	...

Item No.	Description of parts required.	Quantity required.	Rate.	Amount		
				Local.	R. A. P.	Import.
			R. A. P.	R. A. P.	R. A. P.	
18	Do. "A" class buffer $3\frac{3}{8}" \times 1" \times 1"$	12,000	11 8 0 %	1,380 0 0	...	...
19	Do. buffer	12,000	2 6 0 doz.	2,375 0 0	...	...
20	Coupling Screw Shackle with pin $1\frac{1}{2}"$	1,100	3 8 0 each	3,850 0 0	...	...
21	Do. C. & W. with shackle pins, etc.	1,000	22 14 0 "	...	22,875 0 0	...
22	Do. Shackle for B. G. with $1\frac{3}{8}"$ hole	500	3 10 0 "	1,812 8 0	...	...
23	Drawbar long $7'-0\frac{5}{8}" \times 2" \times 2"$	25	29 0 0 "	725 0 0	...	...
24	Drawbar L. R. C. A. type	50	18 14 0 "	...	943 12 0	...
25	Drawbar for Goods stock $7'-0\frac{1}{8}"$	40	29 0 0 "	1,160 0 0	...	...
26	Do. $7'-2\frac{5}{8}" \times 2" \times 2"$	100	29 0 0 "	2,900 0 0	...	...
27	Pins for pull rod	3,500	0 4 9 "	1,039 1 0	...	...
28	Scroll iron $16\frac{3}{4}" \times 2\frac{1}{2}"$ height $5\frac{1}{2}"$	750	6 12 0	5,062 8 0	...	...
29	Spring bearing 8 plated for 6 wheeled bogie carriage	24	54 2 0 each	...	1,290 0 0	...
30	Do. 9 plated do.	24	76 0 0 "	...	1,824 0 0	...
31	Do. 10 plated do.	20	47 10 0 "	...	952 8 0	...
32	Do. 11 plated do.	100	45 6 0 "	...	4,537 8 0	...
33	Do. 12 plated without clips	100	53 0 0 "	...	5,300 0 0	...
34	Do. 13 plated do.	40	45 12 0 "	...	1,830 0 0	...

35	Do.	14 plated do.	.	.	.	150	58 12 0 "	...	8,812 8 0
36	Do.	15 plated do.	.	.	.	20	60 4 0 "	...	1,205 0 0
37	Stanchion fitted with bracket R. & L. 20 sets	.	.	.	.	...	72 0 0 set	1,440 0 0	...
38	Axleboxes cast steel 7" x 3½"	.	.	.	.	400	17 0 0 each	...	6,800 0 0
39	Bogie Centre brackets	.	.	.	.	100	52 0 0 "	5,200 0 0	...
40	Bolts side friction for bogie covered wagons	.	.	.	.	200	1,050 0 0 lot	1,050 0 0	...
41	Coupling head for Watson buffers	.	.	.	.	100	31 0 0 each	3,100 0 0	...
42	Headstock bracket 10"	.	.	.	.	200	30 0 0 "	6,000 0 0	...
43	Do.	9½"	.	.	.	100	30 12 0 "	3,075 0 0	...
44	Spring steel for carriage door handle	.	.	.	.	1,000	0 15 0 "	937 8 0	...
45	Springs side friction for bogie covered wagons	.	.	.	.	1,500	3 1 0	...	4,593 12 0
46	Springs bearing 8 plated slotted	.	.	.	.	100	29 15 0	...	2,993 12 0
47	Spring coil for equalising beam for new type	.	.	.	.	200	Copy of order not received.		
48	Springs coil axle box top for new type	.	.	.	.	...
49	Faceplate for axle box 7" x 4"	.	.	.	.	12,000	13,500 0 0 lot	13,500 0 0	...
50	Buckles for tender spring with set screws	.	.	.	.	50	7 13 0 each	...	390 10 0
51	Spring bearing engine leading and trailing 16 plated	.	.	.	.	70	55 10 0 "	...	3,893 12 0
...							.....	73,763 5 0	68,251 2 0
							Rs. 1,42,014 7 0		

(2) *Letter No. M.-5, dated the 31st May 1927, from Mr. H. Y. Davy, to the President, Tariff Board.*

In continuation of my D. O. No. M.-5, dated 16th May 1927, I enclose herewith particulars obtained from the Intelligence Branch, Headquarters Office, for 10" x 5" axle-boxes * * * I regret the delay, caused by the fact that belting is delivered to the India Store Dépôt and the Director General, India Store Department's lists did not contain the transit charges from the dépôt to the Indian Port. I have worked them out and the c.i.f. price I have given is, I believe, correct within a rupees. * * * As regards the axle-boxes, although the ones shown are all 10" x 5" for Broad Gauge Vehicles, items 1 (b) and 3 should be excluded from comparison with the others. Item 1 (b) is a larger and obsolescent type. This by itself would account for a high price and the price would be still further enhanced because the number required was so small. Item 3 is for the axle-box complete with expensive bearing brass.

I regret I am unable to communicate the dates of the orders. Copy contracts are not received in the Intelligence Branch of the Indian Stores Department.

Item No.	Description of articles.	Contractor's Name.	Quantity ordered.	Rate.	Unit.	Delivery.	Prices C.I.E. Indian ports.	Date of Contract.
		Acieries de Haine-Saint Pierre et Lesquin, per Banting & Tresilian Limited, 64 Victoria Street, S. W. 1.	...	s. d. ...	...	...	Rs. A. P. ...	22nd Feb. 1927.
1	Axleboxes, cast steel or malleable cast iron, with all fittings but without brasses, for 10' x 5' journals, for broad gauge stock :— (a) For narrow axleguard groove . (b) For double axleguards . (c) 1" groove for axleguards . (d) Groove 2 1/2" . (e) Type I. R. C. A. for goods stock	..... ..... ..... ..... .....	100 100 800 2,000 100	20 3 32 0 18 3 18 0 23 0	Each F.O.B. " " " " " " " "	Antwerp " " " " " " " "	14 1/4 2 22 11 9 13 8 10 13 6 2 16 11 7 14 0 10	30th Dec. 1926.
2	Axleboxes, cast steel or malleable cast iron with all fittings and steel liners, but without brasses. No. 6 for 10' x 5' journals for wagons.	Societe anonyme Usines et Acieres Allard Montsur-Merchiennes, Belgium, Agent, Mr. J. Ghion, 120, Moor-gate, London, E. C. 2.	700	19 0	" "	" "		
3	Axleboxes, cast steel or malleable cast iron with brasses, steel liners, face plates, dust shields and all fittings, complete for 10' x 5' journals.	The Heuricot Steel Foundry, 5, Laurence Pontney Hill, Cannon Street, London, E. C. 4.	500	...	" "	" "	32 1 5	2nd Nov. 1926.
4	Axleboxes. Cast steel or malleable cast iron, with steel liners and fittings, but without brasses, and bolts and nuts for face plates; No. 6 for 10' x 5' journals.	Ditto.	2,000	16 4	" "	" "	12 4 3	18th Aug. 1926.
5	Axleboxes, cast steel for I. S. R. wagons for 10' x 5' journals, complete with key plates, lids and leather washers, but without gun metal bearings and leather dust shields.	Acieries de Haine-Saint-Pierre et Lesquin, per London Agents, Banting & Tresilian, Limited, 64, Victoria Street, Westminster, S. W. 1.	400	16 4	" "	" "	12 4 3	24th June 1926.
6	Axleboxes No. 4 cast steel for 10' x 5' journals, with key plates, dust shields, face plates, etc., but without brasses and bolts and nuts for face plates.	Ate Franchise des Acieries de Blanc, Maseron, Quievershan (Yord), France.	150	16 5 1	" "	" "	12 5 3	28th July 1926.

VII. Bombay, Baroda and Central India Railway Company, Bombay.

Letter No. S. 48/25, dated 13th April 1927.

Under instructions of the Government of India (Railway Board)—vide their letter No. 61/8, dated 8th instant, copy enclosed—I forward herewith, for the consideration of the Tariff Board, a copy of my letter No. S. 48/25, dated 10th February 1927, to the Secretary, Railway Board, in connection with the above.

Copy of the Railway Board's letter No. 61-S., dated the 8th April 1927, to the Agent, B., B. & C. I. Railway.

Import duty on railway material.

With reference to your letter No. S. 48/25, dated 10th March 1927, I am directed to state that the Tariff Board are at present enquiring into, *inter alia*, the question of import duty on railway material and I am to suggest that you should address them in the first instance.

Copy of letter No. S. 48/25, dated the 10th February 1927, from the Agent, B., B. & C. I. Railway, Bombay, to the Secretary, Railway Board, Delhi.

Import duty on railway material,

I beg to inform you that under the Tariff Schedule now in force, Railway material for making rolling stock is assessed as under:

Serial Nos.		
101 and 102.	Carriages, wagons, etc., and component parts thereof as defined therein.	10 per cent. <i>ad valorem</i> .
87 and 88.	Locomotive engines and component parts thereof as defined therein,	2½ per cent. <i>ad valorem</i> .

2. Whilst assessing for duty the component parts of carriages and wagons or loco engines the Customs Authorities insist (notwithstanding the provisos of Serial Nos. 102 and 88) that in order to bring them within the 10 per cent. or 2½ per cent. *ad valorem* duty, as the case may be, it is not only necessary to prove that the component parts imported are essential for the working of the Railway but that they have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose. As, however, this Railway imports most of the material required for the building of rolling stock unfabricated and in more or less commercial lengths and unshaped, duty is levied according to the ordinary tariff rate fixed for such materials in spite of the fact that they are genuinely imported as a part or portion of an article to be used for railway purposes only, and is essential for such an article, as will be seen from the Collector of Customs, Bombay's order in Appeal No. RSR. 5767 of 4th January 1927, a copy of which is herewith enclosed for information.

3. As a result of a recent analysis, it is found that this Railway has to pay an average of 17 per cent. on all material imported for the building of carriages and wagons and 12 per cent. on material imported for the building of engines against the Tariff Schedule rates of 10 per cent. and 2½ per cent. respectively. The average has been taken from the actual customs duties paid against the value of the goods imported, as will be seen from the following instance:—

Duty is now paid by this Railway on wheels and axles at the rate of 2½ per cent.; on vacuum brake material 2½ per cent.; on steel sections and plates between 14 per cent. to 26 per cent.: on

copper rods, tubes, plates 15 per cent.; and on injectors, lubricators, etc., 2½ per cent.—*when these are imported for locomotives*, and on wheels and axles at the rate of 10 per cent.; on vacuum brake 10 per cent.; steel sections about 28 per cent.; on bolts 10 per cent.; on panels 15 per cent.;—*when these are imported for carriages and wagons*.

If the materials were imported fabricated and fashioned ready for erection or fully erected, the duty payable would be at the rate of 10 per cent. in the case of carriages and wagons and at 2½ per cent. in the case of engines.

4. The value of the material imported this year amounts to—

£

Carriages, Broad Gauge	36,218	} Including 19,900 for wheels and axles on indent R-9.
Wagons, Metre	49,589	
Engines, Metre	17,688	

The above excludes the cost of 375 steel covered wagons to be supplied by Messrs. Burn and Company, Limited.

5. If this material was assessed at 10 per cent. for carriages and wagons and 2½ per cent. for engines the saving would amount to £6,006 in the case of carriages and wagons and £1,680 in the case of engines or £7,686 or over Rs. 1,00,000 in the year.

6. My contention is that tariffs are generally framed to encourage local industry and employment and that in the present reading of the rules, it might pay the Company to practically scrap its manufacturing shops and to import all its rolling stock erected or fashioned ready for erecting thus throwing out of employment a very large number of Indian workmen.

7. Against the saving mentioned in paragraph 5, it would be necessary to deduct the extra customs duty charged on the enhanced value of fabricated material against the raw material and the small excess in freight in some cases where the material is so shaped that it occupies more space in the ship's hold.

8. Our indents for material required for our rolling stock building programme are definite indents for a particular work and are certified by a competent railway officers and counter-signed by the Government Examiner. This material is definitely required for building a particular type of rolling stock and will be used for that work only, or is definitely required for that work. Thus I think it should come under the clause for rolling stock or machinery as the case may be.

9. Under the circumstances stated, I shall be glad if you will kindly move the Finance Department to alter the wording of the Tariff Schedule to read that provided it can be shown that certain material is genuinely imported as a part or portion of an article to be used for the purposes of the Railway, the duties fixed for the principal articles, *viz.*, 10 per cent. *ad valorem* for carriages and wagons and 2½ per cent. for loco engines should only be charged whether the material is given a particular shape, size, quality, or not.

IN THE OFFICE OF THE COLLECTOR OF CUSTOMS, BOMBAY.

RSR. No. 5767 of 1927.

NEW CUSTOM HOUSE,
Bombay, 27th January 1927.

N. B.—(1) This copy is granted free of charge for the private use of the person to whom it is issued.

(2) No appeal lies against this order, but an application for revision may be made to the Governor General in Council. Any such application should be addressed to the Government of India,

Finance Department (Central Revenues) and need not itself bear a Court fee stamp; it must, however, be accompanied by a certified copy of this order, bearing the Court fee stamp prescribed under Schedule I, item 6, of the Court Fees Act of 1870.

Copper steam tubes—Assessment.

READ—Appeal contained in letter No. S-48, dated 25th October 1926, from the Agent, B. B. & C. I. Railway Company against a decision of the Assistant Collector, Appraising Department, assessing certain copper tubes to duty at 15 per cent. and imposing a penalty of Rs. 100.

READ—Subsequent correspondence.

READ—Mr. Slade, Controller of Stores, on behalf of the Railway Company.

ORDER.

The B., B. & C. I. Railway Company imported certain copper tubes for leading steam from locomotive boilers to various operative parts. The Railway declared the goods to be component parts of railway locomotives dutiable at 2½ per cent. The Assistant Collector called on the Railway to show cause why a penalty should not be imposed for misdeclaration on the ground that the tubes were not component parts of machinery as defined by item 51-A of the Statutory Schedule. After some correspondence he ordered the tubes to be assessed at 15 per cent., and as he considered that the misdeclaration might have involved a loss of Rs. 529-10-0 in duty, he imposed a penalty of Rs. 100. Against this decision the Railway have appealed.

2. The Railway have produced a copy of the home indent. The tubes are shown therein as "solid drawn" and of varying outside diameters, bores, and lengths. The indent also requires that the copper tubes should comply with a British standard specification for seamless copper tubes, and that they should be tested internally by hydraulic pressure to 250 lbs. per square inch and show no defect during or after this test.

3. It is admitted on both sides that the tubes cannot be fitted to locomotives in the lengths imported, and that they thus have no special shape. It appears to me, however, that they have a special quality which would not be essential for their use for any purpose other than that of working steam machinery. The appraiser concerned admits that the tubes can only reasonably be used for leading steam at high pressure, and for all practical purposes I consider that this is tantamount to admitting that the tubes have a special quality as contemplated by item 51-A corresponding to item 88 of the Tariff Valuation Schedule. The appeal must therefore succeed, though not on the exact grounds put forward by the appellant. The tubes should be re-assessed at 2½ per cent. as being component parts of machinery, and both the duty charged in excess and the penalty refunded.

(Sd). A. M. GREEN,
Collector of Customs.

The 28th January 1927.

RSR. No. 5767.

NEW CUSTOM HOUSE,
Bombay, 28th January 1927.

Copy forwarded for information to the Agent, B., B. & C. I. Railway Company, Bombay, in continuation of RSR. No. 5767, dated 4th January 1927. The necessary refund orders will issue in due course.

(Sd). A. M. GREEN,
Collector of Customs.

The 28th January 1927.

VIII.—Hukumchand Electric Steel Works.

A.—WRITTEN.

(1) *Letter dated the 20 April 1927.*

As requested we have pleasure in submitting herewith our production cost accounts for steel castings and spring steel manufactured during the half-year ending September 30th, 1926. The account submitted is the latest we are able to produce at this date but the cost accounts for the second half of the year are being prepared as quickly as possible and will be forwarded for the Board's information at a later date.

It will be noted that approximately one half the output of liquid steel from our melting furnaces was utilised for the manufacture of steel castings and one half in the production of spring steel.

It has been necessary therefore to split up our accounts into two parts, one for spring steel and one for steel castings.

As explained in our representation to the Board, dated April 19th, 1926, the establishment of spring steel manufacture in our works has an important effect on the cost of our steel castings in reducing the cost of our liquid steel.

We have, therefore, determined the cost per cwt. of our liquid steel, excluding overhead charges, and have charged this rate for the steel transferred to both the steel castings and spring steel departments. From this point the accounts have been divided and separate statements are submitted for castings and spring steel.

All overhead charges have been levied on the steel castings produced as in previous accounts submitted. The production cost per cwt. of castings is considerably higher than in the corresponding period of 1925 and this is due to the comparatively small output with corresponding increase in overhead charges per unit of output.

Any further information the Board may desire will be gladly supplied.

HUKUNCHAND ELECTRIC STEEL WORKS.

Liquid Steel Production Cost.

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Works Costs.

Raw Materials—Metallic.

Miscellaneous Steel Scraps	cwt.
Foundry Scraps and Turnings	"
Ferro Manganese	"
" Silicon	"
Aluminium	"

Slagging Materials.

Iron Ore	cwt.
Anthracite Coal	"
Fluor-spar	"
Lime-Unslaked	"

Materials.

Dolomite—Raw	cwt.
Fire, Clay, Sleeve	pcs.
" Nozzles	"
Plumbago stoppers	"

Carried over

Cuts. 11,289.

1926.

Total Liquid Steel produced

1926.						Total.	Rate.	Amount.
April.	May.	June.	July.	August.	Septem-ber.			
600-0-0 1,272-0-0 280-0-0 18-3-10 11-1-0 0-3-16	530-0-0 12-12-0 557-0-0 19-1-7 11-1-0 0-1-22	37-0-0 1,422-10-0 200-0 0 13-3-12 6-3-7 0-0-24	271-0-0 1,665-0-0 264-0-0 16-0-27 10-2-0 0-3-15	491-0-0 1,600-0-0 241-0-0 16-2-15 11-1-0 0-1-22	537-0-0 1,387-0-0 212-0-0 19-2-22 11-1-0 0-1-20	2,466-2-0 8,556-0-0 1,554-0-0 104-2-9 62-1-7 3-0-7	Rs. 20 per ton Rs. 13 Rs. 20 Rs. 180 Rs. 22 per cwt. Rs. 9½	Rs. A. P. 2,466 8 0 5,561 6 3 1,554 0 0 941 3 6 1,370 14 0 287 14 0
6-1-5 15-2-2 18-0-2 120-0-0	11-3-4 17-3-18 16-0-14 120-0-0	22-2-15 13-1-15 7-3-2 92-0-0	2-2-1 21-3-17 15-0-14 124-0-0	10-2-19 30-0-4 18-3-26 130-0-0	4-1-24 20-2-26 14-0-4 142-2-0	12,746-1-23		12,181 13 9
180-0-0 168 56 56	240-0-0 205 72 68	240-0-0 132 44 44	240-0-0 204 68 68	240-0-0 192 64 64	1,380-0-0 1,072 363 359	65-1-12 119-1-26 90-0-6 728-2-0 1,003-1-16	Rs. 16 per ton. Rs. 38 per cwt. Rs. 85 per ton. Rs. 117-8 per cent.	52 4 6 418 3 0 382 11 9 1,169 2 6 2,022 5 9
...	...	...	...	...	...	...	Rs. 13-8 per ton. Rs. 18 each. Rs. 18-6 each. Rs. 1-0-10 each.	931 8 0 536 0 0 192 13 6 377 11 0 2,038 0 6 16,242 4 0

II.
Liquid Steel.

	1926.						Total.	Rate.	Amount.	Grand Total.
	April.	May.	June.	July.	August.	September.				
Brought forward . .	...	...	...	...	...	...	...	...	Rs. A. P. ...	Rs. A. P. 16,242 4 0
Graphite Electrodes . . cwt.s.	7-2-26	7-2-10	4-2-0	6-0-22	7-2-14	5-3-6	39-1-22	0-9-6 lb.	2,623 3 0	
Nipples pcs.	9	12	6	9	9	8	53	Rs. 2-4 each	119 4 0	
Misc. stores . . . cwt.s.	310-15-8	265-12-6	193-11-9	225-13-6	429-12-0	270-1-3	...	...	1,696 2 3	4,438 9 3
<i>Cost over Materials.</i>										
Units Rs.	24,100	76,575	61,050	80,025	73,500	80,700	4,48,950	...	...
Electric current . . . Rs.	4,156-14-9	4,420-8-3	3,501-3-3	4,232-2-4	3,925-6-0	4,161-13-6	24,498-0-1	873 anna.	...	24,498 0 1
<i>Repairs and Relining.</i>										
Magnetite Bricks . . . pcs.	34	...	216	...	...	100	350	Rs. 1-5 each	525 0 0	
Silica "	...	380	700	...	396	833	2,309	Rs. 30 per cent.	692 11 3	
Fireclay cwt.s.	12-0-0	39-0-0	50-0-0	36-0-0	60-0-0	33-0-0	230-0-0	Rs. 30 tons.	345 0 0	
Misc. Stores . . . "	912-11-9	1,027-1-0	919-7-6	1,047-10-3	1,071-8-6	993-15-9	...	...	5,972 6 9	7,535 2 0
<i>Labour.</i>										
Workers' wages . . . Rs.	544-9-3	574-14-0	468-10-6	594-12-0	597-7-6	563-0-0	...	...	...	3,343 6 0
<i>General Work Supervision.</i>										
European Establishment . Rs.	1,000-0-0	1,000-0-0	1,000-0-0	1,000-0-0	1,000-0-0	1,000-0-0	...	...	6,000 6 0	
Indian "	135-0-0	135-0-0	135-0-0	135-0-0	135-0-0	135-0-0	...	...	810 0 0	6,810 0 0
Carried over . .	...	...	...	...	...	...	...	...	...	62,867 5 4

Total Liquid Steel produced cwt.s. 11,289-2-10.
Cost per cwt. Rs. 5-9-2.

SPRING STEEL.

Total Ingot produced—5,289 cwt.

	cwts.	cwt.
Ingot stock on 30th September 1926	1,631	
Less— „ „ „ 31st March 1926	543	
∴ Added to stock	<u>1,098</u>	1,098
Spring steel stock on 30th September 1926	1,782	
Less— „ „ „ „ 31st March 1926	127	
∴ Added to stock	<u>1,555</u>	1,555
Spring steel sold	<u>962</u>	<u>962</u>
TOTAL		<u>3,615</u>
Add scrap and rolling loss		<u>1,674</u>
		<u>5,289</u>

Production cost—Finished spring steel.

	Rs.	A.	P.	
Liquid steel	5	9	2	as per statement "A".
30 per cent. for scrap and rolling loss	1	10	6	
Ingot moulds	0	2	0	
Ishapore rolling charges	3	4	0	
Freight and handling charges	0	3	0	
TOTAL	<u>10</u>	<u>12</u>	<u>8</u>	
Less scrap recovered	0	4	0	
Net cost per cwt.	<u>10</u>	<u>8</u>	<u>8</u>	

(2) *Letter dated the 3rd May 1927.*

We have pleasure in submitting herewith our production costs for steel castings and spring steel for the half-year ending March 31st, 1927, together with a statement showing the quantities of steel castings sold during the years 1925-26 and 1926-27. As requested by the President, we have shown "Castings sold to Railways" and "Castings sold to General Engineering Firms" separately, with the average price per cwt. realised in the case of each class of castings.

The further information asked for at the oral enquiry is nearing completion and will be forwarded in a few days.

We trust the statements submitted herewith are quite clear and contain all the information you require.

STATEMENT A.
HUKUMCHAND ELECTRIC STEEL WORKS.
Production Cost Sheet.—Half-year ending March 1927.
 STEEL MELTING DEPARTMENT.
Total Liquid Steel Produced—Cwts. 8,851-0-0.

	October 1926.	November 1926.	December 1926.	January 1927.	February 1927.	March 1927.	Total.	Rate.	Amount.	Total Amount.
<i>I. Raw Materials,</i>								Bs A. P.		
Misc. Steel Scraps .	289 0 0	241 0 0	313 0 0	421 0 0	576 0 0	692 0 0	2,532 0 0	20 0 0 ton	2,532 0 0	
Steel, Borings and Turnings.	789 0 0	662 0 0	863 0 0	989 0 0	875 0 0	1,322 0 0	5,500 0 0	13 0 0 "	3,575 0 0	
Foundry Scraps .	144 0 0	123 0 0	196 0 0	365 0 0	408 0 0	554 0 0	1,790 0 0	20 0 0 "	1,790 0 0	
Ferro Manganese .	8 2 19	7 0 18	9 0 15	10 1 14	16 2 0	19 3 3	71 2 22	180 0 0 "	645 4 3	
" Silicon .	7 2 0	7 2 0	7 2 0	11 1 0	11 1 0	19 3 0	64 3 0	22 0 0 cwt.	1,424 8 0	
" Aluminium .	0 1 23	0 1 22	0 0 6	0 3 16	0 1 1	0 1 20	2 2 24	94 0 0 "	255 2 3	10,221 14 6
<i>II. Slagging Material—</i>							9,961 0 18		10,221 14 6	
Iron Ore	1 3 24	3 3 25	1 3 14	4 2 26	10 1 0	2 0 21	25 0 4	16 0 0 ton	20 0 6	
Anthracite Coal .	4 0 22	3 3 7	5 3 14	8 1 16	7 0 0	7 3 19	37 0 22	3 8 0 cwt.	130 3 0	
Fluor-spar .	3 2 27	3 1 26	5 1 21	12 0 24	8 2 0	9 1 9	42 2 17	85 0 0 ton	181 4 3	
Lime Unslacked .	81 0 0	68 0 0	87 0 0	123 0 0	113 0 0	144 0 0	616 0 0	117 8 0 %mds.	988 9 9	1,320 1 6
<i>III. Refractory Materials—</i>							720 3 15		1,320 1 6	
Dolomite Raw	120 0 0	120 0 0	250 0 0	270 0 0	200 0 0	300 0 0	1,260 0 0	13 8 0 ton	850 8 0	
Fireclay Sleeves	84 pcs.	84 pcs.	132 pcs.	168 pcs.	156 pcs.	216 pcs.	840 pcs.	0 8 0 each	420 0 0	

HUKUMIYANIN ELEKTRİK ŞİŞELERİ.

Production Cost Sheet. Half-year ending March 1927.

• **Министерство культуры** (Минкультуры)

Total Output estimated -- (wts. 5,379-6-1).

[illegible]

STATEMENT C.

HUKUMCHAND ELECTRIC STEEL WORKS.

Production Cost Sheet. Half-year ending March 1927.

—	Building Expenditure.		2½% Depreciation.		Plant and Machinery Expenditure.		7½% Depreciation.		Total Expenditure.		Total Depreciation.	
	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.
October to March 1926-27	2,72,323	4 8	3,403	12 0	7,85,923	5 3	29,472	0 0	10,58,246	9 11	32,875	12 0
Statement "C"	...		...		...		...		...		...
Statement "D"	...		...		...		...		...		...
Interest	13,49,711	12 3	11,77,407	0 0	35,322	3 4	1,72,334	12 3	5,170	0 7	40,432	3 4
Statement "E"	...		...		...		...		...		...
Head Office charges	8,89,910	0 0	15,398	10 4	...		...		Total		24,298	4 4
							Depreciation				32,875	12 0
							Interest on Working Capital				5,170	0 7
							Head Office Charges				24,298	4 4
							Total		Total		62,344	0 11

Total output cwts. 5,379.

∴ Overhead charges. Rs. 11-9-5 per cwt.

STATEMENT D.

HUKUMCHAND ELECTRIC STEEL WORKS.

Production Cost Sheet. Half-year ending March 1927.

SPRING STEEL DEPARTMENT.

	Cwts. q. lbs.
Total Ingot Produced	782 0 0
Ingot Stock on 31st March 1927 . . .	1,578 0 0
" " " 30th September 1926 . . .	1,631 0 0
∴ Drawn from Stock . . .	53 0 0
Spring Steel Stock on 31st March 1927 . . .	1,382 0 0
" " " 30th September 1926 . . .	1,782 0 0
∴ Drawn from Stock . . .	400 0 0
Spring Steel Sold . . .	1,057 0 0
Total Ingot Rolled . . .	835 0 0
Total Spring Steel Produced . . .	657 0 0
Scrap and Rolling Loss . . .	178 0 0

Production Cost—Finished Spring Steel.

	Rs. A. P.
Liquid Steel	5 13 6
30% for Scrap and Rolling Loss	1 12 0
Ingot Moulds.	0 2 0
Ishapore Rolling Charges	3 4 0
Freight and Moulding Charges	0 3 0
	11 2 6
Less Scrap recovered	0 4 0
Total	10 14 6

STATEMENT E.

HUKUMCHAND ELECTRIC STEEL WORKS.

Statement showing the quantity of castings sold and prices realised during the year 1925-26 and 1926-27.

	1925-26.	1926-27.
	Cwts.	Cwts.
<i>Total Castings sold</i>	9,381	9,167
	<hr/>	<hr/>
	Rs. A. P.	Rs. A. P.
Amount realised	3,60,787 0 0	3,51,961 0 0
Average rate per Cwt.	38 7 4	38 6 3
	<hr/>	<hr/>
	Cwts.	Cwts.
<i>Castings sold to Railways</i>	5,773	5,777
	<hr/>	<hr/>
	Rs. A. P.	Rs. A. P.
Amount realised	2,14,747 0 0	2,14,190 0 0
Rate per cwt.	37 3 2	37 1 2
	<hr/>	<hr/>
	Cwts.	Cwts.
<i>Castings sold for General Engineering Purposes</i>	3,608	3,390
	<hr/>	<hr/>
	Rs. A. P.	Rs. A. P.
Amount realised	1,46,039 0 0	1,37,770 0 0
Rate per cwt.	40 7 7	40 1 0
	<hr/>	<hr/>

(3) *Letter dated the 6th May 1927.*

We have pleasure in submitting herewith a statement giving an estimate of the reduction possible in our production costs if output could be increased up to 1,000 tons and 1,500 tons respectively. The figures given under the various heads show the extent to which our costs for the year 1926-27 could be reduced with the increased output suggested.

We trust the statement sent herewith gives all the information required by the Board on this subject, but if any further details are required, we shall be pleased to furnish them.

Reduction possible in production cost if output is increased to 1,000 tons and 1,500 tons respectively.

(a) *Raw materials (Metallic).*—It is estimated that a reduction in the melting loss will be possible with increased output on account of more rapid melting and less oxidation of the metallic charge. The amount of reduction possible is difficult to estimate but would not be less than 5 per cent.

(b) *Slagging materials.*
Miscellaneous raw materials. } No appreciable reduction possible.

(c) *Refractory materials and electrodes.*—No appreciable reduction possible.

(d) *Electric current.*—A considerable reduction would be made under this head. With an output of 1,000 tons of castings the cost per unit of electricity would be reduced by 10 of an anna, representing a gross saving of Rs. 10,000 equal to As. 8 per cwt. of castings.

With an output of 1,500 tons of castings the cost per unit would be reduced by 2 of an anna, representing a gross saving of approximately Rs. 28,750, equal to approximately Re. 1 per cwt.

(e) *Repairs and relining.*—Considerable saving is possible under this head for it is a matter of fact that steel furnace linings, roofs, etc., give a much better and longer "life" when worked continuously than when worked intermittently. A saving of 10 per cent. in the cost of furnace repairs may be looked for with an output of 1,000 tons and 15 per cent. with 1,500 tons.

(f) *Workers wages.*—An increase in the present labour force of 33½ per cent. approximately would be required for an output of 1,000 tons per year. On this output therefore we should expect our cost under this head to come down to approximately Rs. 6-12-0 per cwt. a saving of Rs. 4-2-0 per cwt. when compared with our 1926-27 cost.

With an output of 1,500 tons per year an increase of 50 per cent. in the present labour force would be required and our cost per cwt. should be approximately Rs. 4-12-0 per cwt. a further saving of Rs. 1-6-0 per cwt.

(g) *General works supervision.*—No extra supervision would be required for an output of 1,000 tons per year. With this output we should expect a saving of Re. 1-2-0 per cwt.

For an output of 1,500 tons per year the supervision in the Moulding Department would require to be strengthened to the extent of Rs. 6,000 per year. The saving possible under this head would then be Re. 1-10-0 per cwt.

(h) *Overhead charges.*—These would remain the same for both 1,000 tons and 1,500 tons output per year and a saving would be possible of Rs. 7-3-0 in the case of 1,000 tons output of Rs. 9-5-0 in the case of 1,500 tons.

The possible savings may therefore be summed up as follows:—

Item.	Output 1000 Tons.	Output 1500 Tons.
	Rs. A. P.	Rs. A. P.
Raw materials	0 1 4	0 2 0
Electric current	0 8 0	1 0 0
Repairs and relining, etc.	0 0 10	0 1 6
Workers Wages	4 2 0	5 8 4
General works Supervision	1 2 0	2 10 3
Overhead charges	7 3 0	7 3 0
TOTAL	13 7 4	16 5 3

(4) *Letter dated the 17th May 1927.*

We have now received a cable from our Home Agent giving present prices for British and Continental Steel Castings as follows:—

Miscellaneous Castings for Railway Rolling Stock.

British	. £1-9-6 per cwt. f.o.b. British port.
Continental	. £0-16-0 per cwt. f.o.b. Continental port.

Axle-box Castings 9" x 4½".

Continental	. . £0-15-3 each f.o.b.
-------------	-------------------------

The quotation for Axle-boxes is not of much value, as the Cable does not state if the castings are machined or unmachined. We now await our Agent's letter for further information regarding this.

We have not yet received prices for British Axle-box Castings but will forward these on receipt.

We still await information from England regarding present prices of spring steel and these will be forwarded to you immediately on receipt. We note from the *Indian Trade Journal* that the North Western Railway have just placed a large order for spring steel flats 4" x ½" at Rs. 11-7-0 per cwt. f.o.r. Bombay.

Assuring you of our best attention at all times.

(5) *Letter dated 27th May 1927.*

We have received the following information from Messrs. Burn & Co., Howrah, regarding the present price of imported spring steel as follows:—

"Spring steel flat 3" x ½" supplied by Messrs. Colville and Company, Sheffield—Price Rs. 10-8-0 (Rupees Ten and Annas eight only) delivered free in their yard, Howrah."

Messrs. Burn & Co. offered to place an order for this material with us at the lowest imported British price, which is as quoted above, and which we have accepted.

You will note from our Cost Sheets that this rate represents our bare cost of production. We still await our Agent's letter giving detailed information regarding imported prices of axle boxes and will forward this to you immediately on receipt.

Assuring you of our best services.

(6) *Letter dated 31st May, 1927.*

We have received the following information from our Home Agent regarding prices of Continental steel castings which we forward for your information.

Bogie Underframe Castings (unmachined).

	Per cwt.
	£ s. d.
Bolster side wearing blocks	0 14 11
Side bearers	0 15 9
Top bolster spring bearings	0 14 5
Bottom bolster spring bearings	0 16 1
Queen posts	0 15 9
Hook buffers	0 16 3

Delivered f.o.b. Antwerp.

Axle Boxes.

	£	s.	d.	
9" x 4½" machined, but without bearings or any other fittings	0	15	3	per box f.o.b. Antwerp.

We regret we have no rates to hand for bearings and fittings but as the rate quoted above is for boxes in exactly the condition in which we sell them to railways, it may be taken as a fair comparison with our own rates.

The rates for underframe castings are for rough castings only which is the condition in which we normally supply them to railways and wagon building firms.

We have now sent you all the information at our disposal regarding British and Continental castings and spring steel and shall be glad to know if the details are sufficient for your requirements.

THE HUKUMCHAND ELECTRIC STEEL WORKS.

B.—ORAL.

Evidence of Messrs. F. G. WILLIAMS and S. K. BHATTAR, recorded at Calcutta on Friday, the 22nd April, 1927.

Introductory.

President.—We have asked you to come and give evidence before us to-day because owing to circumstances over which the Tariff Board had no control, our report on the allied subject 'wagons' has been greatly delayed. It is just about a year since we took your evidence and therefore it seems possible that in the course of the year the figures which your working has revealed might be such as to lead to some modifications in the figures we already have. You have been good enough to produce your works costs for the last six months—April to September, 1926.

Works costs.

Mr. Williams.—The works costs for the latter half of the year I can give you within probably 4 or 5 days.

President.—Judging by the figures for April to September I don't think that even the later figures will really help us.

Mr. Williams.—It will help you in this way. In the first half of the year nearly half the output was manufactured into spring steel whereas in the latter half of the year only a small quantity went into spring steel and the rest was absorbed in the manufacture of steel castings.

President.—Then it would probably make some difference in the matter of works costs.

Dr. Matthai.—It might mean twice as much steel castings as in this half.

Mr. Williams.—Yes. We were very short of orders in the first half of the year and we tried to make up by producing a much larger quantity of springs and putting it into stock so as to reduce the cost of our liquid steel.

President.—Actually it appears from the cost sheets that the result of making this additional spring steel has been to increase your works costs.

Mr. Williams.—Yes, but before you go into these figures in detail, I should like to point out a rather serious error and that is on sheet No. 3. There is an item on that page "Machine shop stores and cost of machining in outside shops" and it shows the amount of money paid to firms like Burn's or Jessop's for finished machining.

Dr. Matthai.—For machining your rough castings?

Mr. Williams.—Yes. Ordinarily our castings are sold as rough castings. This item has never been included before and it should not have been included here. It is an extra charge for an extra operation. We were selling much more higher finished castings than we ordinarily would. It makes a very considerable difference. The actual amount spent on machining in outside shops is Rs. 18,726, making a difference of Rs. 4-2-9 in the works costs per cwt. This should not have been included there and I am sorry for this.

Dr. Matthai.—Do you remember the costs that you sent us for 1925-26?

Mr. Williams.—Yes.

Dr. Matthai.—If you look up page 395 of Volume IV of our latest Report on Steel, you will find that there is an entry somewhat corresponding to this, viz., "work in outside shop". Is not that the same thing?

Mr. Williams.—No, not necessarily. We put out a lot of work during that year which should have been done in our shops but which we could not do.

Dr. Matthai.—Is it different?

Mr. Williams.—It is different from the finished machining. I should like to verify the point.

President.—Perhaps you would let us know later.

Mr. Williams.—Yes, but I know this much that we were very short of sawing machines and I should like an opportunity of confirming that.

President.—As regards these cost sheets which you have submitted, your costs have gone up from Rs. 23-10-0 per cwt. to Rs. 34. This amount of Rs. 34 may be reduced on account of the item pointed out just now by you.

Mr. Williams.—Yes.

President.—So that actually you have been progressing backwards. Of course there is good reason for that. But really the costs that you have given just now cannot be taken as typical for our purposes.

Mr. Williams.—I think that the costs which you have already got up to the end of March, 1926, are a much better criterion of what we are doing than these are. These figures are for a half year and that a bad half year. Therefore it would be better if you compared the costs of this year with the previous year after having got complete accounts for the full year.

President.—We do not really propose to go into these costs in any detail because as I have just said they are not so typical as the costs we already have.

Mr. Williams.—They are not.

President.—There are just one or two items I should like to ask you about. Your production of liquid steel is approximately the same as in the previous year.

Mr. Williams.—Yes.

President.—See page 394 of Volume IV. There the amount of liquid steel produced is shewn as 21,481 cwts. and for the six months April to September 1926, it is shewn as 11,000 cwts. which will be equal to 22,000 cwts. for the full year.

Mr. Williams.—Yes.

President.—So that the output really is a little more than it was in the previous year.

Mr. Williams.—Yes.

President.—But your liquid steel costs have gone up slightly although there is a bigger production. The cost is now Rs. 5.6 whereas it was Rs. 5.34 per cwt.

Mr. Williams.—As a matter of fact we have always found the lower the output the higher the costs.

President.—Actually this year, your costs are slightly higher.

Mr. Williams.—Yes.

President.—So far as I can see there is a decrease in the cost of electricity this year under liquid steel.

Mr. Williams.—Vey-little.

President.—Your labour charges are practically the same.

Mr. Williams.—Yes.

President.—The reason for this increase is I suppose due to the item 'repairs' which was not there before.

Mr. Williams.—Yes, as a matter of fact repairs were included in general works costs and not in the liquid steel.

President.—There are two items for repairs in your cost account for April 1925 to March 1926. There is no entry against the first item 'repairs' (see

page 394 but further on you will find (see page 395) an entry of Rs. 11,301 against another item 'repairs'

Mr. Williams.—It comes in the general works costs, and not in the liquid steel.

President.—Your liquid steel charges are practically the same.

Mr. Williams.—Yes.

President.—So that the whole of this difference of Rs. 10 comes under the cost above metal.

Mr. Williams.—Yes.

President.—What are the items which account for that increase?

Mr. Williams.—One very important item is moulding composition. The quantity of composition used varies very considerably according to the class of work turned out. We were doing a lot of heavy work in the previous year, and so it was very much less. But in this particular half year we had a lot of miscellaneous stuff which required a much higher proportion of the moulding composition than the heavy stuff. Then another item is fuel. Our furnaces are designed to take 20 tons at a time and if we do less than that, even then we require the same quantity of fuel.

President.—On the other hand your cost of fuel has gone down.

Mr. Williams.—Very slightly.

Dr. Matthai.—From Rs. 11 it has gone down to Rs. 10.

Mr. Williams.—Yes.

President.—Where does fuel come in? Is it included under stores? There is no separate entry for fuel in the statement given on pages 394 and 395?

Mr. Williams.—That is given on page 398 in the preceding half yearly statement.

President.—On an output of 4,000 cwt. you have incurred an expenditure of Rs. 7,110-5-0 under steam coal in the half year from April to September 1926 whereas in the preceding half year the expenditure on steam coal is Rs. 10,107-5-6, the output being 7,615 cwt. There is not a big increase under this head. It is only about Re. 45 (Rs. 1-77 minus Rs. 1-32).

Mr. Williams.—Yes.

President.—The increase under moulding composition is about .02 per cwt.

Mr. Williams.—Yes.

President.—Hard coke and gas coke would not account for much. The increase under these two heads would be very small.

Mr. Williams.—Yes.

President.—That does not go very far to cover your extra ten rupees.

Mr. Williams.—No.

President.—Have you any other item, labour for instance?

Mr. Williams.—There will probably be increase under this head because we have a very much larger labour force than we require. Even if we don't have full days work for them, we have to retain them because they are very valuable men. We cannot dispense with their services.

President.—That is really the result of your making less castings and more spring steel.

Mr. Williams.—Yes.

President.—You cannot utilise your moulders on the spring steel section?

Mr. Williams.—No.

Dr. Matthai.—During this half year, on the castings section you had practically the same number of staff—moulders and so on—as you had in the preceding year.

Mr. Williams.—Yes. As I said before we could not dispense with their services.

Dr. Matthai.—In 1924-25 your cost of labour per cwt. was about Rs. 8.12-0 and it came down to Rs. 8 the next year. Now it has gone up to Rs. 11.

Mr. Williams.—Yes, that is the principal reason for that.

President.—Then, the cost of your electricity has gone up.

Mr. Williams.—That is due to the fact that spring steel heats take more current than the heats for castings. One reason that may account for the increase in the castings shop is the installation of an air compressor for operating pneumatic hammers and moulding machines. That is not apparent here because of the reason we have just given, namely that we had to maintain a bigger labour force.

President.—I get a difference of about a rupee per cwt. for electricity. Is that probably about correct?

Mr. Williams.—Yes.

President.—That would account for about Rs. 5 out of Rs. 10 and the balance you say is due to this outside machining. Is that correct?

Mr. Williams.—I am almost certain that is the case, but as I said, I should like to confirm it before I commit myself to this statement. That brings it down to approximately what it was before.

Dr. Matthai.—If you look at this statement "Liquid Steel production costs", and compare your metallic cost for this half year with that of the preceding half year—October to March 1926—you will see that the output of liquid steel was practically the same. Last half year your total metallic cost was Rs. 13,599, and it is Rs. 12,181 now. I take it that the reduction you have been able to get mainly as a result of using a larger proportion of borings and turnings?

Mr. Williams.—That is so.

Dr. Matthai.—Would it be possible for you hereafter to use a larger proportion of borings and turnings?

Mr. Williams.—Certainly.

Dr. Matthai.—Is there much difficulty in getting them?

Mr. Williams.—The main difficulty in getting it is that it has to come from such long distances.

Dr. Matthai.—Where do you get it from?

Mr. Williams.—From Kharagpur, and we have been offered borings and turnings from the Great Indian Peninsula Railway workshops, Parel, but the freight is so high that it makes the price prohibitive.

Dr. Matthai.—This rate of Rs. 13 a ton that you have given, is that delivered at your factory?

Mr. Williams.—Yes.

Dr. Matthai.—You have been getting at that rate for a considerable time, have you not?

Mr. Williams.—Yes.

Dr. Matthai.—If it were possible for you to get borings, you would concentrate on that?

Mr. Williams.—Yes.

President.—Can't you get borings in Calcutta?

Mr. Williams.—We cannot get enough, but we do buy some from Messrs. Burn & Co., and the Gun and Shell Factory, Cossipore. Angus also supplies borings, but they have very little.

Dr. Matthai.—You were saying just a little while ago that the latter half year is a much more satisfactory test of your costs. Why do you say that?

Mr. Williams.—Because we produced very much larger quantities of castings.

Dr. Matthai.—Ordinarily, apart from this question of spring steel, would the latter half year show better results than the earlier half year from your point of view?

Mr. Williams.—I think they would be better.

Dr. Matthai.—You got better orders?

Mr. Bhattar.—It was due to the fact that we had better orders for the latter half of the year. The Great Indian Peninsula Railway placed sufficient orders during the last half year, and we were in a better position during the latter half year.

President.—Is that the reason why you reduced the amount of casting and increased the production of spring steel?

Mr. Williams.—Yes. The only reason for creating a big stock of spring steel was in order to keep our steel furnace going although we had no very big orders for spring steel.

Dr. Matthai.—On this question of electricity have you been paying to the Electric Supply Corporation the same rate for the latter half year as for the previous half year?

Mr. Williams.—I am sorry I have not got the file with me at present, but I think there is not a very marked difference.

Dr. Matthai.—What rate do you expect to get?

Mr. Williams.—9 to 10 pies, I think.

Dr. Matthai.—On what output do you expect to get that?

Mr. Williams.—On the maximum output of 4,500 tons the cost of electricity would come down to 46 anna. To get our cost of electricity down to half an anna we must work both the furnaces to full output.

President.—Have you not got a sliding scale?

Mr. Williams.—Yes.

Dr. Matthai.—If you work only one furnace, that is to say, 250 tons, what reduction would you expect as compared with the rate that you are paying now?

Mr. Williams.—I would expect it to come down to 65 or 7 of an anna, probably rather less than that. I think it quite likely that if we were working one furnace for 24 hours the Electric Supply Corporation would give us a special rate for the time we were working during the night. They have said that if we work at night, they would give us a better scale quite apart from the sliding scale in force.

Dr. Matthai.—According to the figures that you have given us just now the cost of machining in outside shops would work out to somewhere about Rs. 4-10-9 per cwt. Is that correct?

Mr. Williams.—That is the actual cost of machining certain steel castings.

Dr. Matthai.—Last year you told us, if you took a typical casting like an axle box, you took the rough casting to Messrs. Burn and Company for machining and you had to pay Rs. 2 per box. Does that figure still hold good?

Mr. Williams.—Practically the same.

Dr. Matthai.—There was just one other figure which you gave us last year, and I want to ask you whether that also still holds good. You told us that you supplied your castings without bearings or fittings and that bearings would cost about Rs. 18. Is that the rate now?

Mr. Williams.—Yes.

Dr. Matthai.—And the fittings would be about Rs. 3?

Mr. Williams.—Cost of machining and supplying a set of fittings would be Rs. 5. That includes cost of machining the box.

Dr. Matthai.—I take it machining cost Rs. 2 and Rs. 3 for fitting the box; is that roughly correct?

Mr. Williams.—Yes.

Dr. Matthai.—This proportionate increase in the moulder's composition charges, has that anything to do with inefficient labour?

Mr. Williams.—I think it has to a certain extent and it is also governed largely by the supervision. If the supervision is bad there is wastage because the men are generally very careless and very liberal in the use of this material, and if the supervision is good we manage to keep it down to a more reasonable figure. Last year unfortunately we lost our foreman moulder and we had to run the shop without a foreman and I think during that time owing to lack of proper supervision probably there was a good deal of wastage which would never have occurred if we had an efficient foreman.

Dr. Matthai.—Was there any deterioration in quality.

Mr. Bhattar.—There was none.

President.—We had a complaint from Messrs. Burn and Company when they gave evidence in July 1926 that your castings were very rough and I think they put it down partly to the defect in the moulders composition. Did this happen at the time there was lack of supervision?

Mr. Williams.—I was away at the time and the foreman moulder died, and there was lack of supervision.

President.—Possibly that accounts for the rough nature of the castings.

Dr. Matthai.—That I suppose accounts also for the fairly considerable reduction in the European supervision. Take steel castings for instance. European supervision there is 2,400; in the preceding half year it was 7,049. How do you account for this?

Mr. Williams.—In the preceding half year we had a European foreman moulder, and this half year the foreman moulder is a Bengalee and his wages come under Indian supervision.

Dr. Matthai.—But I find the Indian supervision remains more or less the same.

Mr. Williams.—Because we still had this man who was subsequently promoted to foreman moulder. He moved up from the Indian establishment and we took on another assistant to replace him in the Indian establishment.

Dr. Matthai.—Would we be justified in accepting this figure of 2,400 hereafter as the cost of European supervision?

Mr. Williams.—No. We have already raised it by engaging a foreman moulder when I was in Sheffield during my leave so that the previous year's figure would be the better one to take because we pay this man the same wages that we were paying to the previous European foreman moulder.

Dr. Matthai.—Do you save anything in the consumption of electricity by a larger output, I mean as far as consumption is concerned apart from rates?

Mr. Williams.—Do you mean right through the factory?

Dr. Matthai.—I am still on steel castings.

Mr. Williams.—It would make no difference whatever except in the steel melting shop.

President.—Generally, on these costs the obvious deduction is that a decrease in output will very much increase your costs?

Mr. Williams.—Yes.

President.—The output has decreased from 700 to 400 tons; the output of finished steel is 8,000 cwt. against 14,000, that is 400 against 700 tons. A decrease from 700 to 400 tons has resulted in a possible increase in the costs of Rs. 10 a cwt., or perhaps it may be Rs. 5 or Rs. 3 a cwt., it depends

what amount you take for cost of machining. So that we may reasonably put it to you that on these costs an increase in the output of 1,000 to 1,500 tons would reduce your costs very considerably.

Mr. Williams.—Exactly.

Dr. Matthai.—Could you give us two estimates, one on an increased output of 1,000 and another on 1,500 tons as to what your costs would be reduced by?

Mr. Williams.—The main effect will be on the overhead charges.

Dr. Matthai.—Apart from the overhead charges.

Mr. Williams.—Yes, I could frame that for you.*

Dr. Matthai.—Would it make any difference to your metallic costs?

Mr. Williams.—No, except in this respect that with a much larger output and the furnaces working much faster the melting cost is less.

President.—You mean continuous working would result in saving in electricity?

Mr. Williams.—Yes. It would also result in saving in the metallic charge because if a furnace is working slowly there is more wastage of metal due to oxidation.

President.—The main heads under which reduction will be possible with increased output would be electricity, fuel and stores I suppose?

Mr. Williams.—Yes. There won't be very much difference in stores.

President.—I think you bought your stores at fairly high rates in 1925; I think in your last evidence you said so.

Mr. Williams.—I think generally speaking we paid rather more, but the general tendency of prices is rather to come down than to go up.

President.—Will increased output reduce the consumption of moulder composition?

Mr. Williams.—An increase in certain classes of castings for general engineering purposes would result in reduction, but an increase in the output of articles like axle boxes which require a very large quantity of moulding composition and would result in increased consumption.

President.—But the smaller castings for wagons would mean a decrease?

Mr. Williams.—Yes, but generally speaking heavier the castings and larger the castings less composition is required per ton.

President.—In giving your estimates on an increased output of 1,000 and 1,500 tons respectively would you give the main heads under which reduction may be made?

Mr. Williams.—Yes.

Dr. Matthai.—On this question of wages most of your labour charges are incurred in connection with moulding.

Mr. Williams.—Yes, this is the biggest item.

Dr. Matthai.—You have a permanent nucleus of staff which you want to keep together. The total capacity of the staff that you have now, I take it, is for 700 tons a year.

Mr. Williams.—Are you speaking only of labour force?

Dr. Matthai.—The labour force that you want to keep together.

Mr. Williams.—To produce 700 to 800 tons a year.

Dr. Matthai.—Therefore if the output fell below 700 or 800 tons a year, you will find a very considerable increase in the cost of labour.

Mr. Williams.—That is so.

Dr. Matthai.—When it goes above that, there must be a reduction.

Mr. Williams.—We should expect a reduction.

* See letter dated 6th May 1927.

Import prices.

President.—The next point on which we want your evidence is as regards import price. In the last year there is a possibility of that being changed very considerably. For the purpose of calculating import price, we might take an axle-box as an average typical casting.

Mr. Williams.—I think a better thing than that would be to take a set of underframe castings which cover a very large variety including axle boxes. Those castings are typical of our general output.

President.—Have you any reliable figures as regards that?

Mr. Williams.—I have an absolute figure for Continental prices.

President.—I take it that Continental prices are still much lower than British.

Mr. Williams.—I should like to say something about that. As you know, various firms have been inviting tenders for a very large number of bogey underframes. I think the actual amount comes to something like Rs. 12½ lakhs worth of underframes. We asked the wagon building firms if they would give us an opportunity of quoting for castings. We also asked them if they would be willing to quote three prices in their tenders:—

1. a tender including British manufactured castings.
2. a tender including Indian manufactured castings.
3. and a tender including the castings of Continental origin.

President.—It is a contingency.

Mr. Williams.—Yes.

Dr. Matthai.—You are not making a complaint of this.

Mr. Williams.—No, I am merely stating this as a fact.

Dr. Matthai.—As long as wagon building firms get their castings inspected at home, there is very little risk of the rejection of castings and they would be in a safe position.

Mr. Williams.—Yes, but I don't suggest for a moment that the Continental castings are in any way inferior to the British.

Dr. Matthai.—My point is, as the President pointed out to you, that your competition is really against Continental castings.

Mr. Williams.—Yes, our most severe competition.

President.—You are saying that typical import prices would be the price for a set of castings. What would be the set of castings?

Mr. Williams.—I don't know whether the names will convey anything to you at all.

President.—They may or may not, but we will try to learn.

Mr. Williams.—The heaviest would be top bolster spring bearings. There are also bottom bolster spring bearings and spring hanger brackets.

Dr. Matthai.—If you look at page 128, Evidence of Volume IV of the statutory steel enquiry, 1926, you will find there a list.

Mr. Williams.—Yes, we have made a very large number of these for Messrs. Burn and Company.

President.—Is this a complete list?

Mr. Williams.—Complete except for axle boxes.

President.—There are no other small castings besides these.

Mr. Williams.—Yes, there is one (sole bar stiffening brackets).

President.—This is only for underframes.

Mr. Williams.—Yes.

President.—It would be a little difficult if we take underframe castings as typical.

Mr. Williams.—But the point is as far as we are concerned the quantity of castings required for an ordinary four wheeled wagon apart from the axle box is practically negligible.

President.—What we should like to take is some castings or set of castings which would be typical both for wagons and underframes.

Mr. Williams.—In that case the only thing is sole bar stiffening brackets and the axle boxes.

President.—Do you think if we take these two and average the two, that would be typical of all railway castings for wagons and underframes?

Mr. Williams.—I should prefer to include the sole bar stiffening brackets in this list and take the average of that lot.

Dr. Matthai.—I don't follow you. What is it you are asking us to do? Do you want us to take sole bar stiffening brackets out of the list?

Mr. Williams.—To include it as it is not included here.

Dr. Matthai.—What are these Queen posts for? Are they intended to be the posts for the sole bar?

Mr. Williams.—No, they have nothing to do with the sole bar.

Dr. Matthai.—If you had a list of miscellaneous set of castings of this kind, it would be very difficult to get the c.i.f. quotations for them. One quotation may be in respect of a certain number of these castings and another quotation in respect of others. We shall never be able to get a satisfactory basis of comparison. Do you think it would be far out if we took an axle box as a typical casting?

President.—It is neither heavy nor light.

Mr. Williams.—Yes, but the point is all quotations received from the Continent and Great Britain for underframe castings are inclusive prices per cwt. for the whole lot. That is to say they agreed to supply so many sets of underframe castings at so much per cwt. irrespective of the size and weight. The only actual figure I have got for a Continental price is a figure of so much per cwt. for so many sets.

President.—That price of so much per cwt., how far will that differ from the price say of axle boxes and sole bar stiffening brackets for wagons?

Mr. Williams.—As far as the sole bar stiffening brackets are concerned, it would be the same.

President.—And the axle box.

Mr. Williams.—The axle box is not strictly comparable, because almost invariably the axle boxes that are sent out are not cast steel boxes. They are made of malleable iron. I don't think the axle boxes actually imported for incorporation for these underframes would be strictly comparable with the cast steel axle boxes that we make.

President.—As far as wagons are concerned.

Mr. Williams.—The same thing applies.

President.—If, for example we propose to put a duty on steel castings for wagons, we should have to specify malleable iron.

Mr. Williams.—In order to give us an advantage in the manufacture of axle boxes, it would be necessary for you to specify malleable iron and semi-steel castings, because the majority of the axle boxes that are now used in this country are either made of semi-steel or malleable iron.

President.—As regards these malleable iron axle boxes, how would the prices per cwt. compare with the price per cwt. for full steel castings for underframes? Would it be above or below?

Mr. Williams.—It would be rather lower.

Dr. Matthai.—You are not concerned with malleable iron.

Mr. Williams.—No.

Dr. Matthai.—Supposing we got definite c.i.f. quotations for axle boxes made of steel castings, then it would be quite all right.

Mr. Williams.—That would be quite satisfactory. What I mean to say is that if you asked any of the wagon building firms their price for axle boxes, they might give you the price for steel axle boxes which are really made of semi-steel or malleable iron.

President.—The most important thing from your point of view I am not speaking of this year or next year—is to obtain orders for castings for underframes.

Mr. Williams.—Yes.

President.—So that for the purpose of comparing your fair selling price with the import price, would you prefer that price per cwt. for a set of underframe castings should be taken?

Mr. Williams.—I think that would be much fairer and much more representative than any other set of castings.

President.—Can you give us the quotations?

Mr. Williams.—I can give you the Continental quotations.

President.—You might give us the quotations per cwt. for sets of castings and also for Continental cast steel axle boxes.*

Mr. Williams.—Yes.

Dr. Matthai.—What are the quotations that you are talking of? Are they trade quotations?

Mr. Williams.—Actual quotations quoted to Messrs. Burn and Company and Jessop and Company within the last three weeks.

* Letters dated 17th May, 1927, and 31st May, 1927.

Dr. Matthai.—You may send it on to us.

Mr. Williams.—Rs. 14 per cwt. for the underframe castings which is the price quoted a year ago.

Dr. Matthai.—That would be Rs. 14 per cwt. for unmachined castings.

Mr. Williams.—Yes.

Dr. Matthai.—Without any fittings whatsoever.

Mr. Williams.—Yes. That is just the rough castings.

Dr. Matthai.—Practically the same quotations as we had last year.

Mr. Williams.—It has not altered at all.

Dr. Matthai.—Will you please look at enclosure IV on page 125 of evidence volume IV of the Statutory Enquiry into the Steel Industry, 1926? There you have a quotation for a Belgian axle box. Now supposing we took this quotation and made allowance for machining, for fittings and so forth and then we tried to compare it with your price, we should be on a safe basis.

Mr. Williams.—Yes.

Dr. Matthai.—Similarly with regard to the sole bar stiffening brackets and since as you say the quotation is Rs. 14, it is practically identical with this.

Mr. Williams.—Yes, but that quotation of Rs. 14 does not include axle boxes.

Dr. Matthai.—That is for what?

Mr. Williams.—For underframe castings excluding axle boxes. Axle boxes are treated quite separately.

Dr. Matthai.—I think it would be better if you could send in a statement showing the quotations.

Mr. Williams.—Yes.

President.—For the purpose of comparing you would have to add practically Rs. 5 to that.

Mr. Williams.—Yes. I am not speaking of axle boxes. I am speaking of underframe castings.

President.—Haven't they got to be machined?

Mr. Williams.—Yes, but then that price is strictly comparable with ours, the castings they import are exactly in the same condition as we supply.

President.—Has there been a drop in the cost of these castings?

Mr. Williams.—The lowest price I had quoted against me was Rs. 18-15-6 for $9 \times 4\frac{1}{2}$ axle box.

Dr. Matthai.—How long ago was that?

Mr. Williams.—About last December.

Dr. Matthai.—Is that Continental?

Mr. Williams.—Yes.

Dr. Matthai.—Last April when we met at Shillong the figure that we got was Rs. 18-12-0 for an axle box of 10×5 , whereas this shows an increase in price.

Mr. Williams.—This is $9 \times 4\frac{1}{2}$.

Dr. Matthai.—If in April 1926, the price of an axle box of 10×5 was Rs. 18-12-0 and if in December 1926, the price of an axle box which is $9 \times 4\frac{1}{2}$ is Rs. 18-15-6, it indicates an increase in prices.

Mr. Williams.—That is so.

President.—The gist of your contention is for the purpose of comparing prices, we should not take Rs. 18-15-0, but we should take Rs. 14.

Mr. Williams.—No, not at all. Rs. 18-15-6 refers only to an axle box. Rs. 14 refers only to sets of underframe castings excluding the axle box.

President.—We have to take the price for imported castings which we can compare with your fair selling price. It was suggested a year ago for

that purpose that we should take the price of axle boxes. Now your quotation is that we should take the average price per cwt. of sets of castings for underframes. Why do you say that the underframe castings are typical of all railway castings? What is the reason for that?

Mr. Williams.—I said that they are typical of the class of work that we do most of.

Dr. Matthai.—Just now?

Mr. Williams.—Not only now but all along.

Dr. Matthai.—Since wagon builders are taking large orders for underframes, obviously the kind of work that you would get just now is mostly underframe castings and therefore the castings that enter into an underframe would be more typical of your work now than, say, axle boxes. That is what you are suggesting.

Mr. Williams.—Not altogether. I am looking back to the year 1925-26, which was one of our good years, when we had very large orders from the Burn's and Jessop's and they formed the major part of our work during that period.

President.—Take the question of renewals. I think that there would get orders for renewals, by far the most important orders would be those for renewals for wagons, especially for axle boxes.

Mr. Williams.—Undoubtedly.

President.—I want to make this point quite clear to you. Your statement as seen in the papers and the Legislative Assembly discourses about the restriction of orders for wagons and so on. That constitutes a considerable misstatement. In putting questions to you now we are questioning the position of the castings industry. If the normal output of your works is ordered and if more particularly you are able to obtain the large quantities of orders for railway—which I take it is much more important than orders for new wagons or underframes—for that purpose to tell you whether the prices of axle boxes are fairly typical?

Mr. Williams.—I should say so.

President.—Could you give us any definite quotation for axle boxes more recent than those which we have received so far?

Mr. Williams.—Yes.

President.—Would you read that in?

Mr. Williams.—Yes. I shall also give you the price on which we received part of the order.

Dr. Matthai.—According to the quotations that you gave us just now, for an ordinary set of castings in an underframe, the quotation is Rs. 11 per cwt. Now as regards the axle box, the cost is about Rs. 18-12-0. The weight would be somewhere about 70 lbs. Could you give me a figure on that basis per cwt. for an axle box?

Mr. Williams.—If you deduct from Rs. 18-12-0 Rs. 1-14-0 which is the cost of machining, the balance would be the cost of the castings.

Dr. Matthai.—Roughly it would be Rs. 17 for 70 lbs.

Mr. Williams.—Yes.

President.—What about the top covers and so on which you don't supply?

Mr. Williams.—This quotation is without covers.

Dr. Matthai.—You will make all that clear in your statement, won't you?

Mr. Williams.—Yes.

Dr. Matthai.—Assuming for the sake of argument that the cost of castings in axle boxes is about Rs. 21 per cwt. and the price of other castings is Rs. 14, that may be taken approximately as the difference between the cost of manufacture of two types of castings?

Mr. Williams.—Yes.

Bounty upon steel castings.

President.—I have one other question to ask you in regard to castings. Suppose merely for the purpose of argument that the Board is to recommend a bounty for steel castings. Would it be possible to check your output? The Audit Department would require some sort of certificate if all your output is inspected by the Stores Department.

Mr. Williams.—As a matter of fact all our output is not inspected. Certain railways only insist upon inspection at the place of manufacture. Others prefer not to do so.

President.—They do their own inspection.

Mr. Williams.—Yes, when the material is delivered to them. We keep a careful account of everything that is sold to railways. We know what is exactly delivered to the railways and what is exactly delivered to the engineering firms.

President.—The Audit Department might not feel inclined to take your accounts as correct.

Mr. Williams.—Would they not accept the accounts kept by the railways?

President.—That I am not prepared to offer an opinion on. It would mean a considerable amount of work.

Mr. Williams.—If we sold so much to the East Indian Railway and then they wrote to the Railway Board and asked for confirmation, it would not be a difficult matter for them to say, yes or no.

President.—It would not be a difficult matter, but the correspondence with the railways would take some time.

Dr. Matthai.—What proportion of your castings are inspected by the Stores Department?

Mr. Williams.—I should put it at 60 to 65 per cent.

Dr. Matthai.—With regard to the others what happens?

Mr. Williams.—As regards others, the inspection is not done at this end.

Dr. Matthai.—Are the East Indian Railway things inspected?

Mr. Williams.—Yes. It is only quite recently that they have insisted upon inspection and that is since they have become a State Railway.

Dr. Matthai.—Where the inspection is not done on the spot, could you give me some idea as to what the procedure is?

Mr. Williams.—Certainly. The procedure is that we manufacture an article according to the drawing and despatch it to the destination and when it arrives there, the railway officials inspect it at their factory and if they are not satisfied with it, they return it to us.

Mr. Bhattar.—The Great Indian Peninsula Railway is practically the only railway which does not carry out the inspection in our workshop, whereas most of the others do the inspection in our works through the Controller of Inspection, Indian Stores Department.

Mr. Williams.—As the various railways are taken over by the State it becomes compulsory for them to utilise the Indian Stores and the inspection is done in our workshops before the goods are despatched. But the company lines are under no such compulsion in the matter of inspection.

Spring steel.

President.—We have no more questions to ask you on castings. When do you anticipate that your rolling mill for spring steel will be erected?

Mr. Williams.—We should probably hold off until we are quite satisfied that the railways are really going to accept our steel in preference to imported steel.

President.—How long will that be?

Mr. Williams.—It should not be very long because most of the trial orders that we got from the big railways were executed a year ago. The wagons and underframes in which our springs had been used are being brought in periodically for the springs to be examined. We can expect to get a report from the railways during the next few months.

President.—Can you give us a definite assurance that the mills would be erected within a reasonable time, say, within two years?

Mr. Williams.—Yes, provided our steel is accepted by the railways. We have got the machinery already in our possession. We are quite prepared to erect the mills provided the railways say 'yes.'

President.—You have not yet heard from the railways that they will accept your steel.

Mr. Williams.—The Eastern Bengal Railway for instance have given us orders for the whole of their requirements of spring steel. They are perfectly satisfied with our springs. The Bengal Nagpur Railway also have started now placing orders with us. They gave us a trial order about a year ago. We are perfectly confident of getting similar favourable reports from other railways when they have tried our springs for some time.

President.—I understand from the latest tariff schedule that imported spring steel has a duty of Rs. 26 British and Rs. 37 Continental. Is that correct?

Mr. Williams.—The only spring steel importer I had occasion to speak to said that he was paying only 10 per cent.

Dr. Matthai.—Have you seen the latest Tariff Schedule?

Mr. Williams.—I am not sure that I have.

President.—Your spring steel is imported in the shape of rolled bars.

Mr. Williams.—I am not sure that spring steel is imported in any other form.

given for 1926. You will find that they are Continental. There is a big difference in price.

Mr. Williams.—Yes. The point is that a great many of the railways won't accept Continental steel for the manufacture of springs.

Dr. Matthai.—Is that so?

Mr. Williams.—That is a fact and railway engineers generally are very conservative in making any change in the quality and the origin of spring steel. It is most important that it should be of the best quality and they insist upon the British standard specification.

President.—There is not really much difference between your price and the imported price. The imported price is Rs. 215 per ton and your works cost is Rs. 10-8-0 per cwt.

Mr. Williams.—But that carries no overhead. We expect that if we are to establish the industry, it should carry a proportion of overhead both as regards steel melting furnaces and the rolling mill.

President.—What would be the amount?

Mr. Williams.—I think that we worked out depreciation at one rupee per cwt.

President.—That would be Rs. 20 per ton.

Mr. Williams.—Yes.

President.—Supposing the c.i.f. price of imported steel is Rs. 215 and for the sake of argument you have a protection of about Rs. 26 per ton, that would give you Rs. 241. But your works cost is Rs. 10-3-0 per cwt. at present which will probably be reduced. At the present rate, it comes to Rs. 210 per ton. If you add to that another twenty rupees on account of overhead, that makes a total of Rs. 230.

Mr. Williams.—That one rupee per cwt. allows only for depreciation. It does not include the interest on working capital and other overhead charges.

President.—The whole of your overhead charges and profit would amount to.

Mr. Williams.—Rs. 2.

President.—That would bring it up to Rs. 250 against Rs. 241. Supposing the Rs. 26 per ton duty was imposed against British steel you would not be so badly off, would you?

Mr. Williams.—We ought to be in a position to compete with Continental suppliers of spring steel because I have reason to believe that wagon builders are importing springs from the Continent and they are able to get it at about Rs. 9 a cwt.

President.—That is Rs. 180 a ton. If you deduct 1/11th from that, that is Rs. 17, that makes it Rs. 163 c.i.f. To that you have to add Rs. 37 for the duty because the Continental duty is higher than that duty on British steel. That makes it Rs. 200 against Rs. 250.

Mr. Williams.—It seems to me that we should be in the same position with regard to Continental competition as we are with Continental castings.

President.—Did you say that generally at present railways do not take Continental spring steel?

Mr. Williams.—There is just a possibility that they may, provided they are satisfied with the specification. There is no reason why they should not accept Continental castings.

Dr. Matthai.—Is there any reason why the railways should adopt a different attitude as regards spring steel?

Mr. Williams.—The difficulty in regard to spring steel is greater than is the case with castings, because it would be much more serious if a spring breaks than if a steel casting breaks.

Dr. Matthai.—From what I have found by an examination of the trade figures, the average price of spring steel during the past 11 months was somewhere about Rs. 150 a ton and for the corresponding 11 months in

1925-26 it was about Rs. 30 above that, and it seems to me, that has to be accounted for by the fact that large quantities are coming from the Continent. I should like you to make enquiries on the point and let us know.

Mr. Williams.—Yes, I will.

President.—Even so, if spring steel is landed with a duty of Rs. 37 at Rs. 200, and with a production of nearly 150 tons of spring steel your present cost of production is Rs. 10-8-0 and overhead charges Rs. 2, it should be possible for you to get down to somewhere near Rs. 200?

Mr. Williams.—Yes.

Rolling costs.

President.—Of course it is a matter of considerable uncertainty, because you have had your rolling done at the Government Factory at Ishapore and we have no figures to show what would be your rolling charges.

Dr. Matthai.—Are you in a position, to say that in about three years from now you will be able to give definite costs with regard to the whole process of manufacture of spring steel?

Mr. Williams.—I should think in rather less than that, say, in two years we should be in a position to give figures with regard to the commercial production of spring steel.

Dr. Matthai.—The spring steel that you have been trying to sell recently, have they been sold for repairs and urgent replacements?

Mr. Williams.—That is the only purpose for which the railways themselves buy spring steel from us. They don't buy spring steel to incorporate in new wagons; they make these themselves.

Dr. Matthai.—If you had a spring steel factory in India, as far as possible the requirements of the railways would generally be met from local factories so far as repairs and urgent replacements are concerned and therefore you will be in some position of advantage.

Mr. Williams.—That is so.

Mr. Mathias.—Could you give us an estimate of the demand for spring steel in India which you are likely to experience? Supposing the railway accept your spring steel as satisfactory, what demand would you reasonably expect?

Mr. Williams.—I cannot tell you now. It would involve asking each individual railway to state what their annual requirement of spring steel is likely to be.

President.—When you thought of starting a spring steel factory you must have framed some estimates?

Mr. Williams.—We framed our estimate on the trade returns, on the quantities of imports into the country. Certainly the rolling mill which we have is capable of producing more than that.

President.—Could it be all sold? In the more distant markets there must always be an advantage for the importer.

Mr. Williams.—But we should be prepared to cut our profit down to the lowest limit in the case of more distant customers in order to get their orders and so reduce the general cost as well.

President.—Do you think you have a reasonable chance of securing the whole market?

Mr. Williams.—I think we have a very good chance if a vigorous sales organization is started.

Dr. Matthai.—How many rolling mills have you got?

Mr. Williams.—There are three; we are going to erect only one. It will roll all except the very smallest.

Dr. Matthai.—Could you give us the size of the mill in terms of inches?

Mr. Williams.—20" is the biggest and 8" is the smallest.

Dr. Matthai.—Which is the one you are thinking of setting up?

Mr. Williams.—20" because the range of sizes of spring steel demanded by the railways is very narrow and they are of all odd sizes, 5" width down to about $3\frac{1}{2}$ ". I suppose 90 per cent. of the spring steel imported into this country consists of these particular sizes so one 20" mill will do all that we require.

Dr. Matthai.—Supposing you set up a 20" mill next year, on what sort of output can you run it economically?

Mr. Williams.—That is very difficult for me to say off-hand, I would like to think it over.

President.—It would depend, would it not, very largely on the liquid steel charges which in turn would depend on the amount of castings you turn out?

Mr. Williams.—They would react one on the other.

President.—So that am I right in concluding that your cost of spring steel is very largely dependent on the market for your castings?

Mr. Williams.—To a certain extent they are, but the present melting capacity will not be sufficient to supply all the spring steel required.

President.—Would it be about two-thirds?

Mr. Williams.—That would be about correct.

Dr. Matthai.—What is supposed to be the total capacity of the 20" mill?

Mr. Williams.—The total capacity would not be less than 20,000 a year.

Dr. Matthai.—On that single rolling mill you can roll five times the total consumption of the country?

Mr. Williams.—The total demand is less than half of that.

President.—That would not be very economical to work? You bought it at practically scrap value.

Mr. Williams.—Yes. It is not like paying Rs. 10 lakhs for a mill. Our overhead charges will be practically nil; so also with depreciation and interest charges. Also it has this advantage in the case of spring steel you can roll it and keep a stock. You can run your mill continuously for short periods, say, two periods of three months each and build up big stocks and close your mill down for the rest of the year.

President.—Would that be a good proposition, closing your mill down?

Mr. Williams.—No. I should not call it a good proposition. It is better to run a mill 8 hours a day throughout the year.

President.—Would you not have difficulty as regards labour. People would not like to be employed for three months and then paid off and then re-employed.

Mr. Williams.—The Ishapore people do it without very much trouble. They send their men away after two or three months and bring them back again.

Prices realized for spring steel.

President.—This quantity of 962 cwts. which you show in your statement of spring steel, what price did you realize for it?

Mr. Williams.—We realized a price averaging from Rs. 11 to Rs. 11-8-0.

President.—Practically the same as the imported price.

Mr. Williams.—We have sold small quantities at Rs. 10-12-0 but the average price is Rs. 11 to Rs. 11-4-0.

President.—Under the present conditions, on the assumption that these spring steel bars are liable to a protective duty of Rs. 26 and Rs. 37, your position as regards spring steel is fairly satisfactory, is it not? It would give you roughly about Rs. 5 extra per ton so far as British spring steel is concerned and about Rs. 19 so far as Continental steel is concerned.

Mr. Williams.—Yes.

President.—Could you give us some quotations as regards the price of British spring steel and Continental spring steel?*

Mr. Williams.—We will make a note of it and let you know.

President.—When will you be able to let us have all this additional information? We can give you up to the 10th May. We will move our office on the 14th and we should complete all our evidence as we propose to commence writing our report then.

Mr. Williams.—I hope we shall be able to give the information by the 10th May.

* See letter dated 27th May, 1927.

IX.—*Letter No. 138, dated the 5th February 1927, from the Tariff Board, to the Collector of Customs, Calcutta.*

I am directed to address you on the subject of the assessment of duty on steel castings for locomotives, railway wagons and underframes.

2. The question of the grant of protection to the manufacture of steel castings is now before the Board and it is necessary to ascertain whether any difficulties would be experienced by the Customs Department in assessing a protective duty on such castings.

3. A list of the principal steel castings for rolling stock (locomotives, wagons and carriage underframes) is attached to this letter. I am to enquire whether any difficulty would be experienced in assessing a protective duty different in amount from the present duty on railway wagons and fittings,

(a) on such castings when imported separately from the rolling stock as spares or for replacement;

(b) when imported together with and as parts of the complete wagon, locomotive or underframe.

4. I am also to enquire whether the assessment of a protective duty on such castings would necessitate any increase of staff and, if so, what you would consider a fair estimate of the annual additional cost—

(a) in Calcutta Customs office;

(b) in Customs offices at the other ports in India.

Schedule of Steel Castings for Locomotive and Tender.

- 1 Fire Door.
- 1 Frame Hind Drag Casting.
- 1 Frame Stretcher (Leading and Inter).
- 1 Frame Stretcher (Inter).
- 8 Horn Plate Clips.
- 1 Frame Stretcher (Front of Firebox).
- 2 Slide Bar Brackets.
- 4 Platform Supports.
- 2 Piston Body.
- 2 R. H. and 2 L. H. Reversing Link Carriers.
- 2 Wheel Centres (Driving).
- 4 Wheel Centres (Leading and Trailing).
- 2 Wheel Centres (Intermediate).
- 6 Axle-boxes (2 L. 2 D. and 2 T.).
- 2 R. H. and L. H. Hornblocks.
- 8 Axle-box guides.
- 2 Spring Beam Carriers.
- 6 Brackets for Springs.
- 1 Cross Stretcher between Frames of Truck.
- 2 Bogie Wheel Centres.
- 1 Pony Truck Axle-box.
- 1 Pivot of Radial Arm (Pony Truck).
- 1 Front Drag box Casting.
- 6 Tender Wheel Centres.
- 4 Tank Supports.
- 4 Fuel Pack Supports.
- 1 Drawhook guide.

Schedule of Steel Castings for Wagons.

Axle-boxes.

Buffer cases and Plungers.

Solebar Stiffening Brackets.

Side Truss Beam-brackets.

End Body Brackets Inner and Outer.

Top and Bottom Centre Pivots.

Wearing Brackets for Swing Links.

Side Truss-beam Brackets Right and Left

Brake Block Hanger Brackets.

Top Spring Castings.

Brake Block Hanger Brackets Right and Left.

Friction Block Bottom Outside.

Bottom Spring Castings.

Swing Beam Saddles.

X.—Collector of Customs, Calcutta.

A.—WRITTEN.

Letter dated the 26th February 1927.

With reference to your letter No. 133 of the 5th instant, I have the honour to inform you that no difficulty is anticipated in assessing a protective duty on steel castings for locomotives, railway wagons and underframes, provided sufficient appraisers are available for the work. I estimate that two additional appraisers will be required at the Calcutta Custom House. The average pay of the post of appraiser is Rs. 452-4-0 per mensem. Judging by the amount of railway plant and rolling stock imported at Calcutta and other ports in India I estimate the requirements of Bombay at two appraisers and the requirements of Rangoon, Madras and Karachi at one each.

It will be necessary before such protective duties come into force that each Custom House should be supplied with a complete set of standard drawings and also a register showing the net weight of each casting. This latter would have to be prepared beforehand by the Government of India.

COLLECTOR OF CUSTOMS, CALCUTTA.

B.—ORAL.

Oral evidence of Mr. W. W. NIND, Offg. Collector of Customs, Calcutta, and Mr. K. K. MENON, recorded at Calcutta on Tuesday, the 10th May 1927.

Refund of import duties in raw materials.

President.—Could you refer the Tariff Board to any case in which the import duty on raw materials is refunded on the export of the articles in the manufacture of which such materials have been used? As a matter of fact this request which is practically for a refund of duty on exports seems to me to go somewhat beyond any protective scheme. Two firms have applied for this—one a belting firm and the other one of the wagon building firms. They hope to do export business. As regards wagons, they want to have a refund of duty on steel which is used in building wagons when they export them.

Mr. Nind.—There is a case now in Madras relating to an Aluminum factory. I have got the rules here. They import the raw material and on exporting the manufactured articles, they are granted a drawback as a special case.

President.—Was there any particular reason for that?

Mr. Nind.—I do not know. I have never been in Madras. I have only got these rules. I see that it was in November, 1923, that the Government of India sanctioned them.

President.—That is the only case you know of.

Mr. Nind.—The Maghadi Soda Company used to have it, but they have closed down. That again was granted as a special case.

Dr. Matthai.—When you give a drawback, do you give a complete drawback?

Mr. Nind.—It is always seven-eighths.

President.—That is very much the same as in the case of re-export of manufactured articles, is it not?

Mr. Nind.—Yes, that of course is allowed for in the Sea Customs Act.

President.—Any general system of rebates on raw materials when the manufactured articles are exported, would be a new departure under the present fiscal policy of the Government of India, would it not?

Mr. Nind.—Yes.

* * * * *

Castings and forgings.

President.—The next point is the question of separating the duty on castings and forgings from those on wagons. You have given us a written statement on that, in which you say that this would involve extra expense.

Mr. Nind.—I think that we will have to keep two more appraisers who know something about these articles.

President.—I take it that from the administrative point of view it would be simpler if we have the same duty on wagons, castings and forgings, that is to say, wagon parts, whether they are imported separately or whether they come in as parts of wagons.

Mr. Nind.—Certainly.

President.—Supposing the figures justified 15 per cent. on wagons, and we said 15 per cent. also on castings and forgings, that would be the simplest method from your point of view.

Mr. Nind.—Yes, it would be exactly the same as it is at present.

Dr. Matthai.—What would happen if you had castings imported for repairs by railways not along with wagons?

Mr. Nind.—It would be just the same as we have at present a duty of 10 per cent. on wagons and component parts thereof.

Dr. Matthai.—It is not necessary that they should come in with a consignment. They can come in separately.

Mr. Menon.—Yes, component parts of waggons are mentioned there.

Mr. Nind.—If it is a case of specific duty by weight, that would mean examination and recognition of these castings. For that we would require extra staff. But if you continue it as merely an *ad valorem* duty, the problem is exactly the same as it is at present.

* * * * *

Spring Steel.

Dr. Matthai.—I want to ask you about spring steel. The item 'bars' has been revised by the recent Steel Protection Act and there was a point that came up for consideration. Supposing spring steel is imported as bars, will they be dutiable as bars or as spring steel?

Mr. Menon.—Item spring steel comes under "Steel (other than bars) made for springs and cutting tools by any process."

Dr. Matthai.—Spring steel is imported as bars and the duty is either Rs. 26 or Rs. 37?

Mr. Menon.—Except if it falls under any one of the items specified under "Bar and rod."

Dr. Matthai.—Unless it came under one of the exceptional cases it is liable to this protective duty of Rs. 26 or Rs. 37.

Mr. Menon.—Yes.

* * * * *

Nuts and Bolts.

President.—As regards nuts and bolts we have been told that these bolts are manufactured in this country and nuts are not. Suppose that we put a specific duty on nuts and bolts, the duty would have to be applicable to both of them because the nuts come with the bolts.

Mr. Nind.—They do always come together.

President.—You do not get nuts imported entirely separately?

Mr. Menon.—As a commercial article nuts and bolts are always imported together.

President.—So it would not be possible to say that we recommend a specific duty on bolts but not on nuts?

Mr. Nind.—If you want to have a protective duty on bolts the simplest way would be to put a duty on bolts and nuts and then exempt nuts imported separately. It will be possible, I suppose.

President.—Supposing we recommend a specific duty of Rs. 40 a ton, actually the incidence of that on nuts will be very small. I mean to say you do not sell nuts by the ton but perhaps by the lb.

Mr. Nind.—On the other hand if the protective duty is going to be against bolts then you would begin to get large consignments of nuts by themselves presumably. They will manufacture bolts in India and import the nuts.

Dr. Matthai.—At present they do not make any nuts because they find it expensive but if we leave out nuts there is less inducement for them to attempt the manufacture of nuts.

Mr. Nind.—I do not think it would make much difference to the consumer if you put a protective duty on nuts.

President.—There would be difficulty so long as the present practice continues because it is almost impossible to differentiate between the two.

Mr. Nind.—That is so.

Dr. Matthai.—Supposing bolts and nuts were imported as part of a wagon, would there be any difference in duty?

Mr. Menon.—There is no difference in duty.

Dr. Matthai.—Supposing we decided to raise the general duty on bolts and nuts then bolts and nuts coming in with wagons would be subject to the railway rate.

Mr. Menon.—I do not know whether they are coming as ordinary bolts and nuts.

Dr. Matthai.—There is nothing special about it?

Mr. Menon.—No. When complete wagons are imported as at present, or if they are imported as parts of wagons there is no difference on nuts and bolts. It is all 10 per cent.

President.—Supposing there is a 10 per cent. duty on wagons and a 40 per cent. specific duty on nuts?

Mr. Menon.—We will have to take the weight of the bolts separately and make the assessment.

Dr. Matthai.—If for example there is a consignment of bolts and nuts imported by the railways for repair purposes, would it come under the general rate or under the railway rate?

Mr. Menon.—It would come under the general rate because they are ordinary bolts and nuts.

President.—On bolts and nuts imported actually fixed on to a wagon you say that if there is a specific duty of Rs. 40 a ton you will have to estimate the weight of those nuts and apply the specific duty.

Mr. Menon.—Generally when they import wagons they are separately shown. Weight of the bolts and nuts are given separately as in the case of rivets. They are separately packed.

Dr. Matthai.—Then you would consider that the quantity sent is the quantity required for a wagon?

Mr. Menon.—Yes, no extra quantity is sent out.

President.—With a specific duty on you would assess that at the specific duty?

Mr. Nind.—Yes, we would have to take them out and assess them at the specific duty even if they are part of a wagon. There is a proviso to the section as follows:—"Provided that articles which do not satisfy this condition shall also be deemed to be component parts of the railway material to which they belong, if they are essential to its operation and are imported with it in such quantities as may appear to the Collector of Customs to be reasonable." If you impose a protective duty on bolts and nuts, it is a question whether these should come under the railway rate or the specific rate.

Dr. Matthai.—Obviously if you import bolts and nuts in quantities that are reasonable for a wagon, they would come under the railway rate, would they not?

Mr. Nind.—Yes.

President.—Which is the article that will cover this?

Mr. Nind.—Proviso to article 102.

President.—That proviso will have to be repeated in any fresh section which you put in in dealing with wagons?

Mr. Menon.—Yes, otherwise you would have to take them out and separately assess to duty.

President.—Let us take the first part of section 102 "Component parts of railway material, as defined in No. 101 namely such parts only as are essential for the working of railways and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose." Nut or a bolt which was of a particular size to fit a wagon, will that come under this clause?

Mr. Menon.—At present they are using only standard kinds of bolts and nuts; there are no special kinds of bolts and nuts which are used only in wagons and they come under 10 per cent. as railway material.

President.—If we put a specific duty on bolts and nuts, that would not apply to fishbolts and nuts unless we made a specific mention of it?

Mr. Nind.—No.

Dr. Matthai.—What about bolts and nuts imported with machinery would they come under the provision of section 88?

Mr. Nind.—We consider the whole (including the bolts and nuts) as one complete machine though for the purpose of export it may have been dismantled.

Dr. Matthai.—The position will be precisely the same as in the case of wagons?

Mr. Menon.—Yes, exactly the same.

Dr. Matthai.—We have been trying to find the figures for Government stores for wire and nails. There is a figure given in the trade returns which apparently refers only to wire and not nails. That does not include wires nails. That is other kinds of nails.

Mr. Nind.—I can find out under what heading wire nails imported by Government are registered.

Dr. Matthai.—If you could give us figures for Bengal, we should be obliged.

Mr. Nind.—Yes.

Messrs. Henry Williams (India), Limited, Calcutta.

A. WRIGHT.

Letter No. C.M.A. D. 1896-121, dated the 22nd October 1926.

We beg to confirm our Director's conversation with you this morning and to point out an anomaly in the tariff as at present charged in that bar iron or steel such as would be used for the manufacture of bolts and nuts, duty is charged at Rs. 10 per ton, whereas on the manufactured bolts and nuts duty is charged at 10 per cent, *ad valorem*. This method of charging duty amounts to roughly 10 per cent. tariff in favour of imported bolts and nuts.

We are about to erect a bolt and nut manufactory in Calcutta and in the face of this adverse tariff are afraid it will be impossible to compete against imported bolts and nuts for any but the highest quality and most expensive type, for which, of course, there is only a limited demand.

It would suit us best as manufacturers if on round and flat bars of mild steel suitable for the manufacture of bolts and nuts the tariff were reduced to an *ad valorem* duty of 20 per cent. to approved makers, who would guarantee to use such steel only for the manufacture of bolts and nuts.

HENRY WILLIAMS (INDIA) LIMITED.

B.—ORAL.

Evidence of Messrs. O. R. WILLIAMS and C. M. ATKINSON
recorded in Calcutta on Wednesday, the 12th January, 1927.

Introductory.

President.—You are the Managing Director of Messrs. Henry Williams (India) Limited.

Mr. Williams.—Yes.

President.—Is it an engineering firm?

Mr. Williams.—It is an engineering firm specialising in manufactures for railways—permanent way material, signalling material and general requirements for railways in engineering.

President.—What sort of railway material do you manufacture chiefly?

Mr. Williams.—Permanent way material and signalling material.

Mr. Mather.—You manufacture special types of fishplates for the Bengal Nagpur Railway.

Mr. Williams.—We do. We also manufacture sleepers, switches and crossings, fishplates, fishbolts, bearing plates, tie bars and generally all permanent way materials except rails.

President.—Some of these are manufactured by other firms also.

Mr. Williams.—Yes. We are not the sole manufacturers of these things.

President.—How long has your firm been in existence in India?

Mr. Williams.—It has worked in India for about 4 years. It has been represented in India since 1911. The English firm is about 50 years old.

President.—Have you got special machinery here for manufacturing bolts and nuts?

Mr. Williams.—We have got it in Calcutta now. It is being assembled. We will start manufacturing in quite a short time. We can give you all details.

President.—I should like to know in some detail the scale on which you propose to manufacture, the kind of material you use and the way in which you are at a disadvantage as compared with the foreign manufacturer?

Mr. Williams.—May I put certain facts before you for yourselves only—certain facts which I should not like to be given out publicly to all our competitors? I don't mind telling you gentlemen. I will only be too glad to give you full particulars.

President.—We are rather in this position that ordinarily we don't treat the information as confidential in the case of applicants because you see our proceedings are supposed to be public and we report on materials placed before us. We submit the report to Government and Government has to place it before the Legislative Assembly.

Mr. Atkinson.—We can give you facts as to how the local manufacturer is disadvantaged. Mr. Clee mentioned something about the size and that sort of thing. We don't like to say how big we are going to be. Supposing we say that we propose to make all sorts of bolts and nuts, our competitors may say "These people want to increase their works. We will increase our works before they get ready."

President.—We can take any information down in confidence but it may prevent us from making any recommendation. Supposing we were satisfied

that a case had been made out for the duty to be remitted, we have got to point out to Government what it is going to cost in revenue. How can we do it, if you don't tell us on what scale you are going to manufacture?

Mr. Williams.—We will be only too glad to give you any information in confidence but not for publication. Further, we don't think it is good because to make public beforehand what we are going to do.

President.—It is for you to consider. I cannot advise you on that point. The practice of this Board has been to treat everything as public unless for special reasons a particular firm has made out a case for the evidence being treated as confidential.

The Company's case.

Mr. Williams.—May we first of all make out our case for launching into the business of bolt, nut, and rivets. Rivets come really under the same type of manufacture and are treated in the same way as bolts and nuts. Bolt and nut, and rivets are charged 10 per cent. *ad valorem*. I have got information here (showed a statement) which will show that the bazar price of bolt and nuts is about Rs. 12-8-0 a cwt. which means, allowing for profit and allowing for landing and clearing, there is the import duty of about a rupee per cwt. Here is a trade journal (showed it to the Board) which shows that the East Indian Railway purchased fishbolts at Rs. 11-7-0 a cwt. on which they will pay about fourteen annas. The import duty on bolts and nuts is anything between a rupee and fourteen annas. The import duty on rivets is 10 per cent, and there is the Tariff Valuation of Rs. 10 per cwt. in certain cases so that the import duty on rivets is one rupee per cwt. Now when we want to manufacture these, we have to import bars on which we pay Rs. 40 per ton; that is about two rupees per cwt. In the manufacture of bolts, nuts and rivets, there is 25 per cent, and 15 per cent, wastage.

Mr. Mathias.—Would you tell us what steel you are going to use?

Mr. Williams.—Whether it is British or Continental, the duty is Rs. 40 a ton.

Mr. Mather.—That is perfectly true, but what quality of steel do you use? Is it British or Continental steel or steel manufactured by Tata's?

Mr. Williams.—It all depends on what the purchaser requires. At present, it is nearly all Continental steel.

President.—What would be the corresponding British price?

Mr. Williams.—20 or 25 per cent. more. There is another trade journal (showed to the President) showing the placing of orders for Rs. 10 lakhs worth of fishbolts at about the same price. The Indian State Railways, Director General of Stores and the bazar are all buying Continental material and we have to follow that which is being bought. If people specify British material and pay for that, we will be very glad to supply. If we are going to supply in competition, we cannot supply British in competition with Continental material.

President.—We will say one rupee duty per cwt. on an average.

Mr. Williams.—It will be Rs. 2-8-0—Rs. 2 per cwt. and there is 25 per cent. wastage.

Mr. Williams.—The duty on the raw material which is required to make one cwt. of finished material will amount Rs. 2-8-0—Rs. 2 per cwt. and then 25 per cent. wastage.

Mr. Mather.—That would not apply to rivets?

Mr. Williams.—The wastage in rivets is 10 or 15 per cent. and not as high as 25 per cent. We waste in heating alone nearly 5 per cent.

Mr. Mather.—For bolts and nuts, is it as high as 25 per cent.?

Mr. Williams.—Yes, there is tremendous wastage in bolts and nuts. That makes an adverse balance of Rs. 1-8-0 per cwt. to the manufacturer of bolts and nuts in India.

Kinds of steel used.

President.—What is the kind of bar that you use for bolts and nuts?

Mr. Williams.—Bolts are made from round bars and nuts are made from flat bars. Nuts of fishbolts may be made from special sections. It is one of the difficulties of the nut trade that the sizes involved are odd sizes.

President.—I take it that most of these bars are the kinds of bars manufactured in this country and happen to be protected. If an article is protected, we cannot very well say that the duty on that should be removed.

Mr. Williams.—We wanted to ask you for a bounty of Rs. 2 per cwt. to the local manufacturers or conversely to increase the import duty up to Rs. 60 per ton on finished bolts, nuts and rivets.

President.—In either case unless we have all the figures made available to the Government and public, it is very difficult to make any recommendation.

Mr. Atkinson.—These figures are absolutely confidential.

President.—If you are asking for increased protection, we have to find out your works cost, your fair selling price and so on. If you ask for a bounty we have got to do the same thing and then we have to tell Government that this is going to be the bill which they will have to foot if the bounty is to be paid.

Mr. Atkinson.—It is absolutely clear that the protected tariff against our trade of bolt and nut making, amounts to Rs. 1-8-0 per cwt.

President.—If it is merely a question of imported material, it may be possible to give you a rebate.

Mr. Atkinson.—It is the same for manufacturers who make bolts and nuts out of materials made by Tata's.

President.—Quite true. For that reason we cannot recommend any rebate because Tata's steel is protected.

Mr. Atkinson.—Using Tata's steel is the same as using imported steel. For that reason, we don't ask for a rebate. We want an enhanced duty on the manufactured article.

President.—For that, you must show what your costs are and what ought to be your fair selling price. You are not prepared to give us that information.

Mr. Williams.—We are pointing out that the trade is at a disadvantage due to inequality of treatment in the matter of tariff.

President.—There may be other advantages that we do not know of.

Mr. Williams.—There are very few bolts manufactured in this country. It is a trade which could employ a good many thousands. If all the bolts and nuts are made in India, it would employ tens of thousands. You could not possibly employ them, because there is always an adverse balance of Rs. 1-8-0 per cwt. against the manufacturer in this country. In the matter of a few things, any manufacturer here will be at a disadvantage for some time to come in competition with the Continent. There you have got an organised trade. You have got men who have been at it for generations and whose fathers, grand-fathers and great grand-fathers have been bolt makers, nut makers and tool makers. You have got a big supply of trained labour available to be had at any time. You have got raw material available not from one source but from half a dozen sources. You have no necessity for stocking. You have also low exchange and low cost. The difficulties you have got in India are that the productive labour has got to be taught. There is some productive labour. It is not yet efficiently taught. But it is decidedly a trade which could be taught to Indian labour. You have got to have tool makers who have got to be taught the necessary degree of accuracy. You probably have got to have additional process and additional checking to make the quality sufficient to pass tests. You have

got the difficulty of obtaining the material because you have to import special material or you have got to induce Tata's to roll special material. The increasing trade in India would be a decided factor in inducing Messrs. Tata's to roll the necessary sizes and the necessary material because it does not correspond to the ordinary quality. Then, you have got the cost of stocking the material. You have got the interest and stocking charges. For some time to come, the Indian manufacturer is bound to be at a disadvantage (which can be ultimately overcome) in competition with the Continental manufacturer. At the same time there is the disadvantage of Rs. 1-8-0 in the purchase of raw material.

President.—If the country wishes to have the Steel industry, all these points have to be taken into account. The same arguments will apply to rolled steel or fabricated steel.

Mr. Williams.—You have got a duty of 25 per cent. on fabricated steel which has stopped practically the importation of all fabricated steel except bridgework.

President.—They established their case before us by giving us all the materials and placing them before the Government and the Legislative Assembly. You say that this car could not be done by you.

Mr. Williams.—We have not got costs.

President.—I am trying to point out that unless that is done, we should find it very difficult to make any recommendation on general grounds. If you read our proceedings, you will find that there is no information that is not available to the public.

Mr. Williams.—We cannot give you our costs because we have not made them. But we can give you our capacity.

Mr. Atkinson.—If you want to buy bolts and nuts of special sizes in India, which we hope to manufacture, instead of Rs. 10 or Rs. 11 which we just quoted, it would be about Rs. 18 per cwt. It points to the one fact that the manufacture of bolts has got a big field in India.

The market for bolts and nuts in India.

Mr. Mathias.—Is there a market for a fair amount of special bolts and nuts?

Mr. Atkinson.—There is a big market now. Take the case of Messrs. Burn and Company. They are the biggest people in the trade. They manufacture their own specials and I think they import stock sizes.

Mr. Williams.—Under present conditions, we have got to manufacture only specials. It would not pay us to manufacture stock sizes. A big part of the industry is not done in the country due to adverse conditions.

Mr. Mather.—If you study the Trade Returns you will find that during the eight months of the current year bolts and nuts have been imported on a substantial scale from the United Kingdom, Germany and Belgium. If you compare the tonnage imported with the value at the place of import, you will find that British bolts and nuts work out at about Rs. 400 a ton, German bolts and nuts at Rs. 300 and Belgian at Rs. 200 a ton. Also there has been an import of a few hundred tons of American bolts and nuts at an average value of Rs. 500 per ton. That indicates that in the ordinary course of business the Indian purchaser is prepared to pay prices for at any rate certain kinds of bolts and nuts substantially above the prices that you have quoted to us.

Mr. Atkinson.—The prices quoted by us are those which the State Railways are purchasing at.

Mr. Mather.—In the first 8 months of the current year, 2,300 tons of German bolts and nuts have been imported at an average price of a trifle over Rs. 300 a ton. British bolts and nuts imported totalled about 1,650 tons the price being in the neighbourhood of Rs. 400 a ton.

Mr. Williams.—That is very high.

Mr. Mather.—Yet it is perfectly clear that the Indian purchaser is paying that.

Mr. Williams.—The railways, the Director General of Stores and others are going to the Continent; they are not paying it.

Mr. Mather.—I am simply saying that somebody in India is paying it.

Mr. Williams.—In November and December orders for 70 lakhs of dogspikes and 10 lakhs of fishbolts were placed. None of these dogspikes were locally manufactured and no orders were placed in Great Britain.

Mr. Mather.—You are perfectly aware that in November and December it was practically impossible to get steel from Great Britain owing to the shortage of coal.

Mr. Williams.—We personally bought a good many bolts and nuts in those months, but Indian manufacturers cannot obtain orders here.

President.—Have you been using any Indian steel?

Mr. Williams.—Yes, in our other manufactures.

President.—What I wish to know is, is there any steel that you are likely to use which is not manufactured in India now?

Mr. Williams.—The only source of manufacture in India is Tatas and it can be produced there, but whether the quantities would be sufficient to induce them to roll we cannot say. We don't use much of the ordinary sections.

Mr. Mather.—What size do you ordinarily want?

Mr. Williams.—We use $\frac{3}{4}$ " or $\frac{7}{8}$ " rounds for the bolts not the ordinary quality but good screwing quality of steel, either mild steel or high tensile steel.

Mr. Mather.—What size do you use for a $\frac{7}{8}$ " nut?

Mr. Williams.—We deal with very odd sizes there; as a matter of fact it will probably be 1 " x ". There is a great deal of wastage in nuts. We have about 16 cwts. of wastage in 20 cwts. of nuts that we produce. There is no difficulty in rolling but Messrs. Tatas would not have the rolls ordinarily.

Mr. Mather.—If there isn't sufficient quantity it would not be economical for the Indian manufacturer to roll these sections. But in so far as you are applying for protection if you are always dependent on foreign bar you may not fulfil the conditions laid down by the Fiscal Commission.

Mr. Atkinson.—The more bolts and nuts are manufactured in India the more it would be to the Tata Company's advantage to roll the sections required. Supposing we wanted, say, 40 tons of these sections, the question would be whether it would pay them to get new rolls to roll 40 tons.

President.—Are there any other people here who actually manufacture bolts and nuts in large quantities?

Mr. Atkinson.—There are several Indians who have small bolt and nut works. Burn and Company of course make fairly large quantities; Messrs. Jessop and Company make a fair quantity, mostly for their own consumption. We asked them to make some special bolts the other day; they said they could not deliver within 10 weeks which show that they do not have much large outside output.

Mr. Mathias.—Do they manufacture standard sizes?

Mr. Atkinson.—I think they import them.

Capacity of the proposed works.

President.—What is the capacity of your works?

Mr. Williams.—30 to 40 lakhs annually taking one bolt and nut as a unit, dogspikes about 20 lakhs, rivets about 40 lakhs.

Mr. Mathen.—What would be the approximate weight?

Mr. Atkinson.—1,500 tons roughly. If we can make money on 1,500 tons a year we can make 3,000 tons, that is what it comes to.

Relate on raw materials or duty on imported bolts and nuts.

President.—If we were satisfied that there is no steel manufactured in the country of the kind that you use, we may be able to say there was a case for exempting that steel from the protective duty or for a rebate on the nuts. But so long as there is protected steel which is going to be manufactured, you can only ask for protection of bolts and nuts and I do not think you have reached that stage according to the usual procedure of this Board.

Mr. Atkinson.—We know what the position of the Indian Steel Wire Product is from the newspaper reports; they expected to get their bars from the Tata Iron and Steel Company but they never got any. There is just the difficulty; we know Tatas can manufacture but we do not know whether they will. If we can offer them sufficient quantity I believe they would.

President.—That would mean a more formal and a much more elaborate enquiry. We cannot deal with a proposition like this at this stage.

Mr. Williams.—But the point is that even if they do manufacture we are still at a disadvantage of Rs. 1-8-0.

President.—What we do is this: if any one applies for protection first of all we want to know his cost; then we say he is entitled to so much profit per ton, so much depreciation and other charges, and his fair selling price is such and such. Then we say this is the price at which the foreign article enters the country and then if we are satisfied, we say that the article should be protected provided it fulfils the other conditions laid down by the Fiscal Commission. But in doing that we may find that you are at a disadvantage as regards the raw material of Rs. 1 per cwt, but you may have some local advantage which neutralizes that disadvantage.

Mr. Williams.—Even supposing we can do that why should you benefit the foreigner to the extent of Rs. 1-8-0 against the home industry?

President.—The policy of the country is one of discriminating protection which implies that certain conditions should be fulfilled. A definite policy has been laid down by the Government and we here merely make proposals to administer that policy as far as it lies in our power. We cannot take a single circumstance and say that is an advantage or a disadvantage and make a recommendation. We have got to take all the circumstances into consideration.

Mr. Williams.—You are taking a single trade.

President.—We can take a single trade but we must take all the advantages and disadvantages into account and balance them and then if we find that the local industry is at a disadvantage as compared with the foreign manufacturer, then we may make proposals accordingly. But here you simply mention this single circumstance and say there is this difference. We do not dispute that there may be this difference. But if we are to make our recommendations merely pointing out this disadvantage, Government may say that we had not examined the question fully.

Mr. Williams.—If you remove that disadvantage we stand a chance of manufacturing bolts and nuts in this country and employing many thousand men.

President.—If it was merely a question of imported steel being used because you could not get any indigenous steel, then the question would have been different.

Mr. Atkinson.—We cannot say that. Tatas have been rolling a certain amount of steel but that we did not find quite satisfactory for screw cutting. There has been difficulty in cutting threads.

Mr. Mather.—You prepared a scheme for an industry in India; you have bought your machinery and brought it into this country and I should expect that when you were preparing that scheme for working on a scale of 1,500 tons a year you would consider the source of supply of your raw material and for the natural source of supply. If you expected to come before the Tariff Board for protection, I should have anticipated that you would go to Tatas and say "we want 1,500 tons of this particular section of a particular quality; are you prepared to roll them"? Have you done that?

Mr. Williams.—The point is this. Tatas may say that we will supply, but our experience so far of buying steel for bolts and nuts from Tatas is that we could not make screws and cut threads—

Mr. Mather.—That is not exactly relevant to my point, because somebody may come along and order 10 tons or so of a particular size and for a small order Tatas may find it uneconomical to make a special quality. But if Tatas had been told beforehand that there was some reasonable prospect of good trade in this particular quality of steel they might have taken steps to produce this screwing quality. Have you approached them in that way?

Mr. Williams.—No. We made our plans on imported supply and then to purchase Tatas' steel if they could supply it.

Mr. Mather.—In connection with the imported bolt steel and nut steel do you know how the price you have to pay compare with the price of common bar of the same size? How much would you pay extra for this screwing quality?

Mr. Williams.—We pay Rs. 7 to Rs. 10 extra per ton. If it was high tensile steel for fish bolts we should pay about Rs. 20 extra. It is a common commodity in Great Britain and the Continent and we have not got to pay a big extra.

Mr. Mathias.—Do you use any special kinds of steel which are not subject to the protective duty at present?

Mr. Williams.—No. They all come in as bar.

Mr. Atkinson.—There are certain sections which they let in under 10 per cent. for example, fittings for sleepers, etc.

President.—I am just trying to point out that so far as steel is concerned, we cannot, assuming that Tatas' steel is protected, make a recommendation to reduce the duty. You can understand that.

Mr. Williams.—Yes. Can you not increase the duty on bolts and nuts?

President.—We can increase the duty on bolts and nuts if you followed our ordinary procedure and that, as I pointed out to you, would depend upon actual results.

Mr. Williams.—That is just the complaint. If the trade is not going to be encouraged, until the money has been put down and been lost, of course we cannot manufacture. We can give you our estimates, but they will not be accepted.

Mr. Mathias.—May I ask if this machinery which you have is suitable for manufacturing special nuts.

Mr. Williams.—It is only a question of making tools for it.

Mr. Mather.—When did you decide to start the manufacture?

Mr. Williams.—12 to 18 months ago.

Mr. Mather.—Since the protective duty was introduced.

Mr. Williams.—Yes. Owing to the great difficulty of getting bolts and nuts in India, we decided to do this.

President.—Didn't you have a representative here who is in charge of these matters? We issued several communiqués.

Mr. Williams.—Our staff was fully occupied with our own manufacture.

Mr. Mather.—This seems to be a fundamental part of your scheme. You evolved a scheme at the time when the duty on bars is Rs. 40 and when the

duty on bolts is 12 per cent. After 12 months you come along and ask for a change. Would it not have been a wiser policy to bring this matter before the Board before you committed yourself to that extent if you thought that it was a vital question?

President.—The first communiqué was issued by the Government of India on the 3rd April and our own communiqué was issued on the 16th April, 1926 asking for applications and so on. When we were considering this main application, if any application had been made by industries which were likely to be adversely affected by any proposals we might make, we would have considered them. It is rather late now for us to deal with this application in this form. Of course you can apply again after you have started when you will have some figures which you can place before the Board, and say "this is how the present system of tariff affects us. Our costs have been increased by so much, and we want relief." Then we can go into the question and see whether you fulfil the conditions laid down by the Fiscal Commission. After that we may be in a position to make some proposals.

Mr. Williams.—There is an adverse balance of Rs. 1-5-0 due to an anomaly in the import duty.

President.—That can be rectified as I say, if a case is made out for protection. For that we must have all the materials.

Mr. Atkinson.—You want to know costs and selling prices of stock sizes, British, Continental and Indian and then you would want the same details for specials, British, Continental and Indian. Our own manufacturing costs cannot be ascertained until we have actually started working.

President.—This Board is constituted specially to assist industries on a proper case being made out.

Mr. Atkinson.—Is it not inflexible?

President.—It is not inflexible. But we don't deviate from the general principles unless for very good reasons.

Mr. Williams.—Take the bolts and nuts industry. It should be carried out in the country, but it is at a disadvantage.

President.—But we must have some facts to estimate all the advantages and disadvantages. You yourselves have no material.

Mr. Williams.—At the moment bolts and nuts and dogspikes are all imported.

President.—There are many other things, e.g., castings which are imported. We cannot make any recommendation merely on that statement. We want facts based on some little experience.

Mr. Williams.—That means any manufacturer has got to put down his works and lose first before he can receive equality of treatment.

President.—I don't say that that is an inflexible rule. Here in this case, as I say, the position is complicated by the kind of steel that you propose to use being protected.

Mr. Atkinson.—We are manufacturers and consumers, and so we are free traders.

President.—We cannot look upon you apart from the main industry itself. We have to see how that industry is likely to be affected.

Mr. Williams.—The bolts and nuts industry is a pretty large industry which is worth looking into. It should not be sacrificed.

President.—We don't say that it should be.

Mr. Williams.—That is what the present tariff does. The manufacturers have got to make up by other factors. They have to overcome the disadvantage in the country.

XII.—Letter from the Tariff Board, to Messrs. Kirloskar Brothers, Limited, dated the 19th April 1927.

I am directed to refer to your letter No. 307, dated the 15th instant and to say that the Tariff Board has fixed 10-30 A.M. on the 2nd May 1927, for the hearing of your oral evidence at the Board's office in Calcutta.

I am also to ask you to send written replies (with six spare copies) to the following questions so as to reach the Board on or if possible before the 29th instant and to say that your examination will, in the main, deal with the points raised therein:—

1. (a) What is the total bolt and nut making capacity of your works?
(b) What was your actual output in—
1925-26?
1926-27?
2. What was the average cost of the imported bars used by you in 1925-26 and in 1926-27 under the heads—
(a) c.i.f. port of entry,
(b) landing charges,
(c) import duty,
(d) transport charges to factory?
3. What were your works costs per ton of bolts and nuts in 1925-26 and in 1926-27 under the heads—
(a) steel bars (without duty),
(b) import duty on bars,
(c) other materials,
(d) labour,
(e) power and fuel,
(f) miscellaneous.
4. (a) What were the average monthly prices of imported nuts and bolts in 1925-26 and in 1926-27—the c.i.f. price, Customs duty and landing charges are to be given separately?
(b) What were the average monthly prices realized by you for your bolts and nuts in 1925-26 and in 1926-27?

Messrs. Kirloskar Brothers, Limited.

A.—WRITTEN.

(1) Letter dated the 25th April 1927.

With reference to your letter No. 321 of 19th instant, we have pleasure to enclose herewith copies of replies to the questions asked by you.

While replying your questions, we have tried to give you all the information we could get in so short a time and as the working of the bolts and nuts in the year 1924 was found to be uneconomic, we were required to keep the factory closed completely and we were occasionally using the machinery whenever we got orders of odd sizes.

It is therefore not possible to give monthly prices realized by us neither is it possible to give the monthly output.

As we are not the importers of nuts and bolts, we have not got the reply of question No. IV (a) ready and the information of same is called for and as soon as we get the information, we shall either forward it to you or send it with our representative.

Reply to question No. 1 (a).

Manufacturing capacity of bolts per day.

Size of bolts.	Quantity. Cwts.
$\frac{3}{8}'' \times 1\frac{1}{2}''$	4
$\frac{3}{8}'' \times 3''$	6 $\frac{1}{2}$
$\frac{3}{8}'' \times 6''$	11 $\frac{1}{2}$
$\frac{1}{2}'' \times 1\frac{1}{2}''$	7 $\frac{1}{2}$
$\frac{1}{2}'' \times 3''$	12
$\frac{1}{2}'' \times 6''$	22
$\frac{5}{8}'' \times 1\frac{1}{2}''$	13 $\frac{1}{2}$
$\frac{5}{8}'' \times 3''$	20
$\frac{5}{8}'' \times 6''$	29
$\frac{3}{4}'' \times 1\frac{1}{2}''$	22
$\frac{3}{4}'' \times 3''$	27 $\frac{1}{2}$
$\frac{3}{4}'' \times 6''$	35

Question No. 1 (b).

Actual output in 1925-26	85 tons 5 cwts. 34 lbs.
Actual output in 1926-27	57 tons 4 cwts. 26 lbs.

Reply to question No. 2.

Average cost of imported bars in 1924-25 under the following heads.

	Rs. A.
(a) c.i.f. Port of entry	118 15
(b) Landing charges	6 10
(c) Import duty	40 0
(d) Transport charges to factory	18 0

In 1925-26 and 1926-27, we did not import our steel bars from foreign country, but we purchased them from Bombay at an average rate of Rs. 150 per ton f.o.r. Bombay and paying Rs. 18 per ton as railway freight from Bombay to our godown.

Reply to question No. 3.

Cost per ton of bolts in Rupees.

Size of bolts.	(a) (1), Imported from foreign country.			(a) (2), Purchased from Bombay.		(b)	(c)	(d)	(e)	(f)
	1924.	1925.	1926.	Rs.	Rs.					
	Rs. A.	Did not import		Rs.	Rs.					
$\frac{3}{8}$ " \times $1\frac{1}{2}$ "	118 15			150	40	31 0	61 0	23 4	170 0	
$\frac{3}{8}$ " \times 3"	118 15	Do	.	150	40	20 0	42 8	16 0	105 0	
$\frac{3}{8}$ " \times 6"	118 15	Do	.	150	40	11 0	34 4	8 8	62 0	
$\frac{1}{2}$ " \times $1\frac{1}{2}$ "	118 15	Do	.	150	40	18 0	38 0	12 8	92 8	
$\frac{1}{2}$ " \times 3"	118 15	Do	.	150	40	10 4	23 0	8 0	57 0	
$\frac{3}{4}$ " \times 6"	118 15	Do	.	150	40	6 0	13 4	4 4	31 8	
$\frac{5}{8}$ " \times $1\frac{1}{2}$ "	118 15	Do	.	150	40	9 4	20 8	7 0	51 0	
$\frac{5}{8}$ " \times 3"	118 15	Do	.	150	40	6 4	13 8	5 0	34 4	
$\frac{5}{8}$ " \times 6"	118 15	Do	.	150	40	4 4	9 4	3 8	24 0	
$\frac{3}{4}$ " \times $1\frac{1}{2}$ "	118 15	Do	.	150	40	5 8	12 8	4 8	31 0	
$\frac{3}{4}$ " \times 3"	118 15	Do	.	150	40	4 8	10 0	3 8	24 12	
$\frac{3}{4}$ " \times 6"	118 15	Do	.	150	40	3 8	8 0	2 8	20 0	

Question No. 3—contd. Cost per ton of bolts in 1924 and 1925.

Size of bolts.	Cost of steel bars imported from foreign country per ton.	Import duty per ton.	Railway freight from Bombay to our Godown per ton.	Landing charges per ton.	Total cost of steel bar per ton.	Margin for wastage in the process of manufacture.	Cost of total steel bar required per ton of bolts.	Manufacturing cost (total of c, d, e, f) per ton of bolts.	Total cost per ton of bolts.
$\frac{3}{8}$ " \times $1\frac{1}{2}$ "	Rs. A. 118 15	Rs. 40	Rs. 18	Rs. A. 6 10	Rs. A. 183 9	20 per cent.	Rs. A. 220 4	Rs. A. 285 4	Rs. A. 505 8
$\frac{3}{8}$ " \times 3"	118 15	40	18	6 10	183 9	18 "	216 8	183 8	400 0
$\frac{3}{8}$ " \times 6"	118 15	40	18	6 10	183 9	16 "	213 0	105 12	318 12
$1\frac{1}{2}$ " \times $1\frac{1}{2}$ "	118 15	40	18	6 10	183 9	14 "	209 4	161 0	370 4
$1\frac{1}{2}$ " \times 3"	118 15	40	18	6 10	183 9	12 "	205 8	98 4	303 12
$1\frac{1}{2}$ " \times 6"	118 15	40	18	6 10	183 9	10 "	202 0	55 0	257 0
$\frac{5}{8}$ " \times $1\frac{1}{2}$ "	118 15	40	18	6 10	183 9	11 "	203 12	87 4	291 0
$\frac{5}{8}$ " \times 3"	118 15	40	18	6 10	183 9	9 "	200 0	59 0	259 0
$\frac{5}{8}$ " \times 6"	118 15	40	18	6 10	183 9	8 "	198 4	40 0	238 4
$\frac{3}{4}$ " \times $1\frac{1}{2}$ "	118 15	40	18	6 10	183 9	10 "	202 0	53 8	255 8
$\frac{3}{4}$ " \times 3"	118 15	40	18	6 10	183 9	8 "	198 4	42 12	241 0
$\frac{3}{4}$ " \times 5"	118 15	40	18	6 10	183 9	7 "	196 8	54 0	230 8

This total cost per ton of bolts is for Hexagon and Square head bolts only. For Counter sunk bolts Rs. 60 per ton extra are required.

Question No. 3—*concl'd.* Cost per ton of bolts in 1925-26, 1926 and 1927.

Size of bolts.	Cost of steel bars purchased from Bombay per ton.	Railway freight from Bombay to our Godown.	Total cost of steel bars per ton.	Margin for wastage in the process of manufacture.	Cost of total steel bar required per ton of bolts.	Manufacture of steel bolts per ton of bolts.	Total cost per ton of bolts.
1" x 1 1/2"	Rs. 150	18	168	20 per cent.	Rs. 201	25 1/2	Rs. 226 1/2
" "	150	14	164	15	179	18 1/2	197 1/2
" "	150	14	164	16	180	19 1/2	183 1/2
" "	150	14	164	14	178	18 1/2	196 1/2
" "	150	14	164	12	172	21	193
" "	150	14	164	13	177	22 1/2	200 1/2
" "	150	14	164	12	172	22 1/2	196 1/2
" "	150	14	164	9	163	23 1/2	187 1/2
" "	150	14	164	8	162	24 1/2	186 1/2
" "	150	14	164	7	161	25 1/2	186 1/2
" "	150	14	164	6	160	26 1/2	186 1/2
" "	150	14	164	5	159	27 1/2	186 1/2
" "	150	14	164	4	158	28 1/2	186 1/2
" "	150	14	164	3	157	29 1/2	186 1/2
" "	150	14	164	2	156	30 1/2	186 1/2
" "	150	14	164	1	155	31 1/2	186 1/2
" "	150	14	164	0	154	32 1/2	186 1/2

Reply to question No. 4 (b).

The average selling price of bolts.

	Rs.	A.
The average selling price of Hexagon and Square head bolts in 1925-26	12	4 per cwt.
The average selling price of Countersunk bolts in 1926-27	16	12 „

N.B.—We made in 1925 and 1926 the Hexagon and Square bolts only. In 1926 and 1927 the Countersunk head bolts only.

(2) Statement handed by Messrs. Kirloskar Brothers.

Regarding the Bolt and Nut Department.

	Rs.	A.	P.
Cost of machinery	1,21,125	11	2
Cost of building	10,000	0	0 (about)
Floating capital . . . . .	.....	
Cost of buildings for workmen . . . . .	.....	

Number of workmen and their pay per month.

	Rs.
1 Superintendent	150
1 Foreman	32
1 Supervisor	50
1 Clerk	25
	<hr/>
	257
3 Fitters	120
34 Workmen for making bolts, nuts and assembling them	428
10 Workmen for making tools, etc.	277
	<hr/>
Total pay per month	1,032
	<hr/>

Rates of nuts and bolts in 1925.

	c.i.f.	s.	d.
$\frac{3}{8}$ "	19	0	
$\frac{1}{2}$ "	16	3	
$\frac{5}{8}$ "	14	6	
$\frac{3}{4}$ "	13	0	

1926.

		Bombay.
$\frac{3}{8}$ "	18 6	Rs. 17.
$\frac{1}{2}$ "	15 0	Rs. 12.
$\frac{5}{8}$ "	12 9	Rs. 11-8.
$\frac{3}{4}$ "	11 9	Rs. 11-8.

1927.

	c.i.f., s. d.	Bombay
$\frac{3}{8}$ "	18 6	Rs. 16.
$\frac{1}{2}$ "	14 0	Rs. 11-8.
$\frac{5}{8}$ "	13 0	Rs. 10-8.
$\frac{3}{4}$ "	12 0	Rs. 10.

Import prices of bars in 1925 were £6.

1926 were £5-17-5.

1927 were £6-6-5.

(3) Letter dated 12th May 1927.

We are enclosing herewith statements which our representative promised to forward to you at the time of the oral examination at Calcutta.

The oral evidence, however, requires one correction namely that in reply to a question, our representative said that item No. "D" of our statement referred to "Tools" whereas it referred to "labour" and the evidence should therefore be corrected accordingly.

In addition to what we have already represented to the Board, we may add here that if the Board thinks that there would crop up administrative difficulties with regard to the granting of rebate, then as an alternative we may suggest that the duty on imported bolts and nuts be raised from 10 per cent. to 30 per cent.

This will not only remove the anomaly of taxing the raw material at Rs. 37 a ton and allowing finished products to enter at 10 per cent. duty but it will also enable our industry to stand on its own legs.

As already all figures of cost production, etc., are given to the Board to the minutest detail, we feel certain that the Board will give its very careful consideration to our representation.

Question No. 3, Item No. "F" (Miscellaneous).

I.

Size of Bolts.	MISCELLANEOUS COST PER TON OF BOLTS.			
	Overhead.	Depreciation.	Tools.	Total.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.
$\frac{3}{8}$ " x $1\frac{1}{2}$ "	41 8	29 4	99 4	170 0
$\frac{3}{8}$ " x 3"	26 0	18 0	91 0	105 0
$\frac{3}{8}$ " x 6"	16 0	10 0	36 0	62 0
$\frac{1}{2}$ " x $1\frac{1}{2}$ "	22 0	16 8	54 0	92 8
$\frac{1}{2}$ " x 3"	14 0	10 0	33 0	57 0
$\frac{1}{2}$ " x 6"	8 0	5 8	18 0	31 8
$\frac{5}{8}$ " x $1\frac{1}{2}$ "	12 8	8 8	30 0	51 0
$\frac{5}{8}$ " x 3"	8 4	6 0	20 0	34 4
$\frac{5}{8}$ " x 6"	6 0	4 0	13 0	23 0
$\frac{3}{4}$ " x $1\frac{1}{2}$ "	7 8	5 8	18 0	31 0
$\frac{3}{4}$ " x 3"	6 0	4 4	14 8	24 12
$\frac{3}{4}$ " x 6"	5 0	3 8	11 8	20 0

II. The average cost of bolts per ton is Rs. 288-9-4.

III. The average wastage in nuts is 40 per cent.

MESSRS. KIRLOSKAR BROTHERS, LIMITED.

B.—ORAL.

Evidence of Mr. N. W. GURJAR, recorded at Calcutta on Monday,
the 2nd May 1927.

Introductory.

President.—Mr. Gurjar, you are representing Messrs. Kirloskar Brothers, Limited.

Mr. Gurjar.—Yes.

President.—What is your exact position in the firm?

Mr. Gurjar.—I am the Assistant Manager and Secretary of the firm.

President.—Are you responsible for the superintendence of the work?

Mr. Gurjar.—That is done by another gentleman who is called the Superintendent.

President.—Your application is in regard to bolts and nuts.

Mr. Gurjar.—Yes.

President.—In addition to bolts and nuts, you also manufacture ploughs, sugarcane mills, etc.

Mr. Gurjar.—Yes.

President.—Do you manufacture pumps?

Mr. Gurjar.—Yes.

President.—It is not a question of assembling the parts. You actually manufacture them.

Mr. Gurjar.—Yes.

President.—That is something new in addition to your other products.

Mr. Gurjar.—Yes.

President.—In regard to pumps, ploughs and sugarcane presses you are not putting forward any application, are you?

Mr. Gurjar.—For the present we are not putting up any because for pumps we do not require as much iron as we require for bolts and nuts. Though at present we are feeling competition in the case of pumps, a representation will be made later on separately because that has nothing to do with the protection of the Steel Industry.

President.—I take it that in so far as the manufacture of any of these three kinds of agricultural implements is concerned you are not putting in any application.

Mr. Gurjar.—No, we are not.

President.—That is to say, you are making these with satisfactory profits at present.

Mr. Gurjar.—Yes.

President.—When you last came before us, you had, I think, a nut and bolt-making machine, had you not?

Mr. Gurjar.—On a very small scale we were manufacturing and that for our own purpose. But at present the prices are very high.

President.—What was the capacity of the old machine?

Mr. Gurjar.—A couple of cwts. a day.

President.—About 30 or 40 tons a year.

Mr. Gurjar.—Yes, that was practically consumed by ourselves.

President.—You had some difficulty with regard to that machine. There was some difficulty in obtaining rods of the correct size.

Mr. Gurjar.—That is still there. We are required to pay something more for the correct size of bars.

President.—Is that machine still working?

Mr. Gurjar.—Yes. Ordinary bolts and nuts sold in the market do not require a correct size. But when we supply to the Railways they do insist upon the correct size and shape.

President.—That is for the old nut and bolt machine.

Mr. Gurjar.—Yes, and even for the new. Unless it is of the correct size, we cannot make correct threads.

President.—You have to pay a higher price for that.

Mr. Gurjar.—About 5 or 6 shillings a ton more.

President.—For getting the correct size.

Mr. Gurjar.—Yes, otherwise the Continental bars are not correct to the size.

Dr. Matthai.—Do you sell bolts and nuts to the railways?

Mr. Gurjar.—Yes, through the contractors.

Dr. Matthai.—You sell in the first instance to the contractors.

Mr. Gurjar.—Yes, because so long our firm was not on the approved contractors' list.

President.—Your capacity on the new nut and bolt machinery is 300 tons a year.

Mr. Gurjar.—It varies for various sizes and I think I have already submitted a statement on that.

Dr. Matthai.—It works out roughly to about 300 tons a year.

Mr. Gurjar.—Yes.

President.—We can take the output of the new bolt and nut machinery as roughly 300 tons a year.

Mr. Gurjar.—That is for the whole set, both old and new.

President.—300 tons for both the old and new combined?

Mr. Gurjar.—Yes.

President.—Of that, how much do you use in your ploughs and other agricultural implements?

Mr. Gurjar.—About 40 tons.

President.—Are the nuts and bolts for your implements of a very special kind?

Mr. Gurjar.—They are not. Since we have got the machinery we do not want to purchase.

President.—Why I asked that question is that it seems rather curious that you have gone in for manufacturing instead of purchasing.

Mr. Gurjar.—That is true. During the war time bolts and nuts could not be had in the market. Even after the war, during 1922-23, 1923-24 and 1924-25, the prices of bolts and nuts went up to something like Rs. 25 per cwt. At that time we thought that it would be safe to manufacture bolts and nuts ourselves.

Dr. Matthai.—You consider bolts and nuts as a sort of key product. Both bolts and nuts are essential for your agricultural implements and you could not get them during the war.

Mr. Gurjar.—Yes.

Dr. Matthai.—Therefore in order to assure yourselves with regard to supplies, you started making bolts and nuts.

Mr. Gurjar.—That was so then. Thereafter during the years when prices were soaring high we purchased some set of new machines to manufacture bolts and nuts separately.

Dr. Matthai.—For the purpose of making a general business?

Mr. Gurjar.—Yes.

President.—When did you actually order your new machine?

Mr. Gurjar.—Our Superintendent went to Germany in 1922 with instructions to purchase machines and he was there in Germany throughout the year 1923.

President.—When did he place the order?

Mr. Gurjar.—About March 1923.

President.—When was it installed?

Mr. Gurjar.—The new machine actually began to work in 1924.

President.—What part of 1924?

Mr. Gurjar.—From about June.

President.—You had no outturn for 1925.

Mr. Gurjar.—We have given you the outturn for 1925-26.

President.—Then you started working in 1925.

Mr. Gurjar.—We started in June 1924.

Dr. Matthai.—You say in one of your representations that you actually started manufacturing bolts and nuts on your new machinery early in 1925.

Mr. Gurjar.—We started working at the end of 1924 or about the beginning of 1925.

President.—You paid a somewhat high price for your machinery, Rs. 1½ lakhs.

Mr. Gurjar.—I don't think so. That is not the cost of only the machinery. The cost of machinery comes to only Rs. 1,20,000.

President.—Even if you took the cost at Rs. 1,20,000, if you expect to get, say, 10 per cent. return on your plant, it would mean about Rs. 12,000 a year, which on an outturn of 300 tons would come to something like Rs. 40 a ton.

Mr. Gurjar.—Yes.

President.—If you take depreciation at 6½ per cent. of your capital, it will come to another Rs. 25.

Mr. Gurjar.—That is what we should expect.

President.—Then you have working capital.

Mr. Gurjar.—Rs. 1,50,000 includes the working capital.

President.—Roughly you would have to sell your bolts and nuts at such a price as to bring in Rs. 65 per ton to cover depreciation and profit only.

Mr. Gurjar.—That is the idea with which we started making these in our works.

Dr. Matthai.—This machinery that you bought, is it used exclusively for nuts and bolts?

Mr. Gurjar.—Yes.

Dr. Matthai.—Is it used for any other purpose?

Mr. Gurjar.—No, it cannot be used for any other purpose. Otherwise we would not have kept the machinery idle.

Market for bolts and nuts.

President.—Out of your output of 300 tons, you use about 40 tons yourselves.

Mr. Gurjar.—Yes.

President.—The rest you sell in Bombay.

Mr. Gurjar.—Yes.

President.—At present you are actually selling only about 10 tons in Bombay.

Mr. Gurjar.—Yes, because we are not manufacturing.

President.—But you are actually selling a little in Bombay.

Mr. Gurjar.—Yes.

President.—You have no local market.

Mr. Gurjar.—No.

Dr. Matthai.—Do you mean that there is no local market near Kirloskarwadi for nuts and bolts?

Mr. Gurjar.—There is no local market near Kirloskarwadi.

Dr. Matthai.—You have to take your bolts and nuts to Bombay.

Mr. Gurjar.—Yes.

President.—Is it possible that you would ever be able to run this factory at a profit? According to your application your steel costs you one rupee a cwt. extra at Kirloskarwadi and one rupee more to go back, that is two rupees a cwt. You are asking in your application for a rebate of Rs. 20 a ton which is equal to one rupee per cwt.

Mr. Gurjar.—We are asking for one rupee in railway freight.

President.—You are asking for one rupee in railway freight. I don't think that we are competent to deal with such railway matters.

Mr. Gurjar.—You can give us the whole rebate if you cannot suggest any concession in railway freight.

President.—You wish to modify your application.

Mr. Gurjar.—Yes. I think that if the whole rebate is given, we can successfully manufacture and at least capture some of the southern markets.

Dr. Matthai.—If you don't get any concession in railway freight, then you would ask for a rebate of Rs. 40 per ton.

Mr. Gurjar.—Yes. Then alone it is possible to manufacture nuts and bolts in India.

Dr. Matthai.—The proper solution will be for you to take the railway proposition to the proper authority.

Mr. Gurjar.—Supposing they don't give, then I cannot come back again and say that the railway people did not give. I have put it quite definitely that the whole duty should be given as a rebate to the *bonâ fide* manufacturers of nuts and bolts. I think that it is very reasonable.

Dr. Matthai.—Supposing we gave you a rebate of Rs. 40 and the railways gave you also a concession, you would get more than you have bargained for. Is not there that possibility?

Mr. Gurjar.—I think that the Government can reconsider then the whole question of tariff.

President.—On this application, considering it merely as a question of protection, you could hardly expect the country to reimburse you for disadvantages in regard to your situation.

Mr. Gurjar.—I may tell you that even if I am to take my factory to Bombay, the cost of production will go up because the cost of labour in Bombay is more and there will be extra supervision. As a matter of fact just because we are near the bolt manufacturing factory we are supervising it and no charges are added on that account. Otherwise we shall have to keep an extra supervisor and the cost of production will go up. I am quite sure that if a factory were to be started in Calcutta or Bombay, the cost of bolts and nuts would not be much cheaper than what they are at Kirloskarwadi.

Agricultural Implements.

Dr. Matthai.—Your point comes to this that the business in agricultural implements that you are doing has been in Kirloskarwadi now for about 30 or 40 years. Now if you take your bolts and nuts factory to Bombay, it would mean that you would have to keep two establishments.

Mr. Gurjar.—Yes, it means additional cost.

President.—The wages would be high.

Mr. Gurjar.—Yes, also supervision would be high.

The Company's Claim.

President.—Let us be quite clear as to what it is that you ask.

Mr. Gurjar.—We want Rs. 40 as rebate.

President.—What you want is a rebate. It depends on what figures you indicate as reasonable. On a question of principle you are not applying for substantive protection in your application.

Mr. Gurjar.—No.

President.—Your application amounts to this that so far as the duty is concerned you wish to be placed on an equality with the foreign importers. Is that what you wish to say?

Mr. Gurjar.—That is the least we can expect from you.

Dr. Matthai.—What you say in your representation that you sent us last year seems to me quite clear on the point that what you want is really tariff equality. What you say here is "Our main contention then was that while duty is levied on raw materials, the finished products are allowed to enter duty free in the country."

Mr. Gurjar.—I have submitted to you the cost of production and everything. It is quite clear that unless the whole duty is given as rebate it will not be possible to continue the manufacture in India.

Dr. Matthai.—The point which the President has raised has nothing to do with the measure of assistance. We are really on the question of principle. We want to be quite clear as to the kind of assistance that you want. Generally industries come to us and ask for protection.

Mr. Gurjar.—We do not want protection but if we are to be given protection, as our manufacturing capacity is very small, it will be penalising the consumers. The best way to help us is to give us a rebate, unless you think otherwise.

President.—On the question of protection do you really consider that you are entitled to protection, as you are not using Indian steel? Your position is such that you cannot use Indian steel. You are using foreign steel on the ground of cheapness.

Mr. Gurjar.—We are situated at a very long distance from Tatanagar. The railway freight from Tatanagar to our place is Rs. 68 per ton.

Dr. Matthai.—Tata's can get materials sent to Bombay at a lower rate.

Mr. Gurjar.—By special rates.

Dr. Matthai.—If you get your materials from Tata's they might be able to send them at special rates.

Mr. Gurjar.—Do you think that they would give us at Rs. 18?

Dr. Matthai.—Something more than Rs. 18 but less than Rs. 68.

Mr. Gurjar.—Don't you think that it would be cheaper for us to purchase from Bombay?

Dr. Matthai.—You have not bought any materials from Tata's and therefore you do not know what is the actual freight that may be charged?

Mr. Gurjar.—Tata's gave us to understand that if we purchased in large quantities, we might get it at Rs. 35.

President.—Whether it is profitable or unprofitable the fact remains that you are manufacturing out of imported material and therefore you have so much less claim for protection. One of the main objects in regard to the subsidiary steel industries is that they should ensure an outlet for the steel rolled in India.

Mr. Gurjar.—At the time protection to Tatas was given it was considered that as the freight to our place was very high it was impossible for them to capture the markets in Bombay and Madras.

President.—That question may have to be referred to the fact that Tatas cannot deliver at an economic price at present. It remains that you are using imported steel and that your protection is not so great.

Mr. Gurjar.—It is quite natural that people who are using Tata steel should be given better protection, but at the same time as a separate industry and a separate industry manufacturing bolts and nuts even though we are using foreign steel we have got a claim for a rebate. You are protecting the raw material of the industry charging a higher price.

President.—That may be a case for compensatory protection or for tariff equality. It appears to me that there are three questions raised and it seems to me that you are not quite distinct in your mind what particular principle you are supporting in your application. You may apply for substantive protection, you may apply for compensatory protection on account of increase in the price of steel or you may apply for tariff equality, and in answer to my colleague's question just now you said you are not limiting it to the one point of tariff equality but applying for substantive protection because the industry deserves substantive protection.

Mr. Gurjar.—I have told you that Rs. 40 a ton should be given as rebate and if the whole of the duty is given as rebate our claim will be substantive.

President.—On what ground do you support this Rs. 40 a ton.

Mr. Gurjar.—The first ground is that the raw material is made neither owing to the duty on imported steel.

President.—By how much?

Mr. Gurjar.—Formerly it was 10 per cent. but now it is Rs. 37 a ton and the imported steel comes at present at Rs. 56 a ton and roughly.

President.—A duty of 10 per cent. would be Rs. 9 and the present duty is Rs. 37 a ton, so that the difference is Rs. 28 a ton. How do you get Rs. 40?

Mr. Gurjar.—That is the additional protection I have asked for on the ground that it is an Indian industry and if a bolt and nut industry is to be established in India then that is the least we would expect. I can't say why we should not be given protection simply because we are using foreign

Dr. Matthai.—How many workmen have you now altogether?

Mr. Gurjar.—About 500.
steel.

President.—That we should consider separately, but your main contention is that you have got a big home market?

Mr. Gurjar.—That is so.

President.—But apart from that you consider that you should be placed on a footing of absolute equality with the imported material so far as the tariff is concerned?

Mr. Gurjar.—Yes.

Costs.

Dr. Matthai.—May I put the question in a slightly different way. At present your bolt and nut factory must have been working for two years and during these two years your average production has not been above, say, 60 tons a year, 80 in the first year, 50 in the second year. The practical difficulty that I want to suggest to you is this: if we are to consider the question of granting substantive protection then we ought to have a fairly clear idea of what your costs on a reasonable output would be.

Mr. Gurjar.—I have not based my costs on that. We have based our costs on the basis that we would get orders for the full capacity.

Dr. Matthai.—If you look at your answer to question No. 3 you will see that you have given us certain figures of costs under various heads. You told me just now that these costs were actual costs incurred by you at a time when you were working to full capacity.

Mr. Gurjar.—I said that because as a matter of fact we worked for two months to full capacity.

Dr. Matthai.—To what months do these figures relate?

Mr. Gurjar.—October 1925 when we worked to full capacity.

Dr. Matthai.—In October 1925 you produced these various sizes of bolts up to the fullest quantity of which your machinery is capable and then you slackened off?

Mr. Gurjar.—Yes. We worked to the fullest capacity for two months to see whether it would reduce our cost of production to the fullest extent.

Dr. Matthai.—Supposing you worked a fairly big machinery like this to full capacity for a month, would you be justified in taking these data as your normal data?

Mr. Gurjar.—That was not in the very beginning of the term when we found there was no market to sell our goods at a price.

Dr. Matthai.—Would it not be a more reasonable thing to say "We have just made a beginning with what we claim to be an important industry; we have been working at it for about 2 years and we have reached a capacity of, say, 60 tons a year. At present we are subjected to this handicap, the duty on raw materials being so much higher than the duty on the finished product. Since we are a new industry we are entitled to ask you to remove this handicap." When this handicap has been removed and as a result of that you have been able to raise your output, working up to something like an economic output, then you will be able to get a cost which might be reliable and which we might take as your normal cost. Then you can raise the question of substantive protection if you require it. Otherwise we would be under the obligation of telling the Legislature that Messrs. Kirloskars have worked this factory to full capacity only for a month; their labour was not sufficiently trained, their machinery was new for the workmen; and we could not accept these costs as normal.

Mr. Gurjar.—We have worked this factory for a year and a half; do you mean to say that the labour is not trained?

Dr. Matthai.—In a very spasmodic way.

Mr. Gurjar.—At least this handicap should be removed.

President.—Do I take it that in this answer to question 1 (a) the quantity that you give is the quantity turned out in one month working at full capacity?

Mr. Gurjar.—No.

President.—I thought you said that your costs were based on that. I do not follow you when you say your answer to question 3 is based on the capacity worked in October 1925.

Mr. Gurjar.—This production is based on that.

President.—This is the amount which you could produce in one month working at full capacity, that is to say, about 10 tons. You say your costs are not based on that?

Mr. Gurjar.—No.

President.—So that although in answer to question 1 you have given the amount you actually turned out in one particular month working to full capacity, in answer to question 3 your costs are based on figures working well below that. Take the answers to (b), (c), (d), (e) and (f) in question 3. Those are based on your actual figures of working for the whole year, are they not?

Mr. Gurjar.—They are not based on the whole year because for nearly half the year they were closed.

President.—Then for that portion of the year in which you were working?

Mr. Gurjar.—They are not the average of the year, but the average of the days on which we were working. Supposing we worked in one month ten days and in another five days, yet another 20 days and so on, these number of days have been taken into consideration.

President.—That is exactly the point my colleague was making. These costs you have given do not show what you would be able to produce if you were working to full capacity, so that these figures will be a very unsafe basis on which to make any recommendation.

Mr. Gurjar.—If we worked to the full capacity these figures would not vary to a great extent—perhaps only to an extent of 5 per cent., because the costs of production given here are worked out from monthly sheets and we can show you that if we worked even up to 300 tons the costs would not be reduced by more than 5 per cent.

President.—If you go through these various heads you must admit that the larger the output the smaller your charges for power and fuel and so on.

Mr. Gurjar.—In what way will it be reduced?

President.—By working continuously.

Mr. Gurjar.—The production given is per day and the cost of production is taken on that and if we were to work for 300 days the proportionate cost of power would go up.

Dr. Matthai.—Look at your statement on question 3. The charge for power and fuel against $\frac{3}{4}$ size is Rs. 2-8-0. I understand that is the size in respect of which your capacity is the largest, and therefore your charges for power and fuel are lower on that.

Mr. Gurjar.—Naturally because we turn out more per day.

Dr. Matthai.—The more you turn out the less your charges will be?

Mr. Gurjar.—I don't understand how they can.

President.—You raise per day your capacity.

Mr. Gurjar.—In the case of $\frac{3}{4}$ " the tonnage is greater. The weight is greater. We manufacture 6,000 bolts of $\frac{3}{4}$ " \times 6".

President.—That is exactly the point. If you increase your output still further, you will have still lower charges. This is not peculiar to your works.

Mr. Gurjar.—I quite understand that that is the general theory.

President.—In the same way your labour charges would go down, other material charges would go down. I don't know exactly what your miscellaneous charges are.

Dr. Matthai.—What are your miscellaneous charges?

Mr. Gurjar.—Depreciation, tools and overhead.

President.—Obviously your overhead charges would come down very much. The bigger your output the smaller is the amount per ton. Therefore we might reasonably expect a very considerable reduction.

Mr. Gurjar.—I may tell you that these miscellaneous charges are only Rs. 20 for 3".

Dr. Matthai.—It is about Rs. 170 for the first size and Rs. 20 for the last size.

Mr. Gurjar.—I have told you that there would be a variation of 5 per cent. That is my idea because they are varying from Rs. 170 to Rs. 20.

President.—We have found that in the case of other industries any increase in output has resulted in a very considerable reduction.

Mr. Gurjar.—I don't think so far as we are concerned there will be more than 5 per cent. variation even if we are to produce 300 tons throughout the year.

President.—That is not our experience.

Dr. Matthai.—Obviously if you increase your output from 50 to 300 tons there must be a considerable reduction in your overhead charges, because the overhead instead of being divided by 50 tons would have to be divided by 300 tons and it must make a considerable reduction.

Mr. Gurjar.—There is one anomaly in connection with these figures and that is the overhead of the whole year is not charged on this, but only the overhead of those working days is charged.

President.—In these particular statements that you have sent us.

Mr. Gurjar.—Yes. That is why there is mistake between my thinking and your thinking.

President.—Even so on those particular days if you are producing at one-fifth of your capacity . . .

Mr. Gurjar.—When we get orders we work to the fullest extent.

President.—You didn't have orders to enable you to work to full capacity.

Mr. Gurjar.—Whenever we had orders we used to work 10 or 15 days continuously.

President.—Do you work 3 shifts?

Mr. Gurjar.—No.

President.—You work one shift.

Mr. Gurjar.—Yes.

President.—Could you not work three shifts, supposing there was enough market?

Mr. Gurjar.—Yes, we could work if there was a market.

President.—In that case theoretically your full capacity will be how much?

Mr. Gurjar.—It will come to 1,000 tons.

President.—If you are producing 1,000 tons a year these figures would be subject to considerable alterations.

Mr. Gurjar.—I have not worked even for a single shift to the extent of 300 tons.

President.—I am not asking you whether you have worked. I am asking you whether if you turned out 1,000 tons your figures would not show considerable variation.

Mr. Gurjar.—Yes, ultimately.

President.—In these figures we are puzzled by the price of steel. In 1925 it was Rs. 150 and in 1926 it was Rs. 150.

Mr. Gurjar.—That is the average price. We were not importing then since we had no regular market for these things.

President.—Is that Rs. 150 landed?

Mr. Gurjar.—Rs. 150 plus Rs. 18.

President.—In our steel enquiry into the question of protection of rolled steel, when we examined the prices there, we found the Calcutta price was very considerably below that. The highest price in November, 1925, was Rs. 140. For two months it was Rs. 130.

Mr. Gurjar.—It was not so low as that in Bombay.

President.—For the remainder of the year it was Rs. 135. In 1926 the highest price was Rs. 137.8-0 and the lowest price was Rs. 125, so that your prices were considerably above the price ruling on this side of India.

Mr. Gurjar.—May I know whether they are the Bombay figures.

President.—Bombay figures are considerably higher than the Calcutta figures. In October 1925 the price was as high as Rs. 150. That was the only month in which it touched Rs. 150. In September it was Rs. 135, in August Rs. 140, in July Rs. 145 and in June Rs. 140. In the year 1926 it rose in January to Rs. 155 and it dropped steadily throughout the year until in August and September 1926, it was Rs. 125. These are Bombay Iron Merchants' Association's market prices.

Dr. Matthai.—When did you buy last in the Bombay market?

Mr. Gurjar.—In October 1926.

Dr. Matthai.—You paid Rs. 150.

Mr. Gurjar.—It comes to Rs. 146 or Rs. 147. That is the actual price we paid. There are other charges such as the commission to the agent, carting, etc., which come to Rs. 150 on an average.

President.—Do you buy in small lots?

Mr. Gurjar.—In small lots as we get orders for nuts and bolts.

President.—What is the size of lot?

Mr. Gurjar.—Something like 5 or 10 tons.

President.—For that reason are you charged higher rates, because your lots are so small.

Mr. Gurjar.—I don't think they are charging higher rates. Other charges such as carting, etc., added to that come to Rs. 150 nearly. In Bombay carting is very high. They are required to be taken over from the Bombay bazaar to the railway station and then booked to Kirloshkavadi.

President.—Even on the Bombay Iron Merchants' Association's prices here it seems to me that you pay for your steel considerably above the prices which the Association supplied us with.

Mr. Gurjar.—They have given the figure as Rs. 125, but I have never purchased at that price.

President.—We realise that you have never purchased at that particular price. What we are trying to get at is why you had to pay a high price.

Mr. Gurjar.—This is the first time I am coming across such a cheap price as that. I don't know under what circumstances that is given. If I am to go into market I don't think I would get it at Rs. 125.

President.—It seems to me a matter which you might look into.

Mr. Gurjar.—We shall look into that.

President.—The effect of the new duty is to reduce your price by Rs. 3 a ton, is it not?

Mr. Gurjar.—I don't think the Bombay merchants have lowered the price. The present import rate is £6-7-0 c.i.f. Bombay.

Dr. Matthai.—That is equal to about Rs. 84.

Mr. Gurjar.—Yes.

President.—Plus Rs. 37.

Mr. Gurjar.—Yes, plus Rs. 6 for landing charges.

President.—It comes to Rs. 127. Are you getting it at that price?

Mr. Gurjar.—We are not importing simply because we are not sure of the market. In case we are given that much assurance there will be scope.

President.—I am just coming to that point. In what amounts at a time would it be worth your while to import?

Mr. Gurjar.—We are prepared to import supposing we are assured that the factory will go on.

President.—How many tons would it be worth your while to import at a time?

Mr. Gurjar.—10 to 20 tons and 30 tons. If we find that our factory is doing well, we can order in one lot even 100 tons.

President.—Would it not be better to import even now?

Mr. Gurjar.—In that case our capital will be locked up till we get orders, because the orders that we get are not of the particular sizes that we are making.

President.—10 tons would not mean locking up a considerable amount of capital. You use 30 tons for your own farm implements.

Mr. Gurjar.—We have already got a large stock of unsold bolts and nuts and that is why we are not importing.

President.—Is your normal procedure to import steel?

Mr. Gurjar.—When we started the work in June 1924 we imported 30 tons, but thereafter we never imported.

President.—In considering your costs, it would be reasonable to take the imported price and not the retail price.

Mr. Gurjar.—I have no objection to that.

President.—In this statement (c) what other materials do you use?

Mr. Gurjar.—We include the steel that we require for manufacturing dies.

President.—Anything else.

Mr. Gurjar.—No.

Dr. Matthai.—You mean these dies are part of your plant.

Mr. Gurjar.—For every size we are using special dies. After some time these will go out of use.

President.—Do they wear out?

Mr. Gurjar.—Yes. They cannot thread out.

Dr. Matthai.—This is really a sort of depreciation on dies.

Mr. Gurjar.—That is the cost of steel that we use.

Dr. Matthai.—What I mean is this. This year you are making a certain quantity of $\frac{3}{8}'' \times 1\frac{1}{2}''$. Do you get a die for it?

Mr. Gurjar.—Yes.

Dr. Matthai.—If you make the die, it will last for some time.

Mr. Gurjar.—It will last only for a couple of months.

President.—Why is that?

Mr. Gurjar.—The threading will go out of use. We shall have to prepare another die. It cannot last for years.

President.—Do you make your own dies?

Mr. Gurjar.—Yes.

President.—Would imported dies last longer?

Mr. Gurjar.—It depends upon what kind of steel we use.

President.—If you use the hardest kind of steel. . . .

Mr. Gurjar.—We are using the best kind of steel for preparing dies. As a matter of fact before we began manufacturing, we used to import. We found that we could manufacture cheaper than what we could import and further importing means that we require a larger stock. Supposing a die breaks away by a misfitting, etc., we cannot depend on foreign countries.

Dr. Matthai.—You make all your dies yourself.

Mr. Gurjar.—Yes.

President.—There are no other materials except the cost of dies. (d) represents labour. What labour have you exactly on the machinery?

Mr. Gurjar.—The total pay per month is Rs. 1,082.

President.—How many workmen are there?

Mr. Gurjar.—51 in all.

President.—Among these are there any foremen?

Mr. Gurjar.—(Handed in a list.)

Dr. Matthai.—Are they all paid on a monthly basis?

Mr. Gurjar.—Yes, we can't get men at the piece rate.

President.—What do you do with them when you are not working? You said that you only work on certain days.

Mr. Gurjar.—We ask them to work somewhere else for some hours.

President.—In that case if you are able to work for the whole month with the same amount of labour, you will be able to turn out considerably more bolts and nuts.

Mr. Gurjar.—The capacity of manufacturing bolts and nuts will be the same and the machinery cannot turn out more than what it is turning out.

President.—At present it is lying idle for part of the time and during that time your labour is employed elsewhere. Now if you utilize the machinery for the whole of the month with the same amount of labour you would be able to produce more.

Mr. Gurjar.—They cannot turn out more bolts and nuts.

President.—At present we will say that you are turning out 5 tons a day and you are working 3 days a month. It comes to 15 tons. In order to turn out 15 tons you will have to pay Rs. 1,082 for your labour. Now if you work 30 days in a month at the rate of 5 tons a day, you will be still paying Rs. 1,082 for your workmen. Therefore there will be a reduction per ton in the cost of labour.

Mr. Gurjar.—That is natural.

President.—What power do you use?

Mr. Gurjar.—At present we are using a gas engine.

President.—What fuel?

Mr. Gurjar.—We use ordinary coke.

President.—Where do you get your coke from?

Mr. Gurjar.—From Jheria.

President.—That is very expensive, is it not? What does it cost you per ton?

Mr. Gurjar.—Rs. 27 at Kirloskarwadi.

President.—Then there is "miscellaneous." There is the overhead and what else?

Mr. Gurjar.—Depreciation, overhead, etc.

President.—Does that include profit?

Mr. Gurjar.—Depreciation does not include profit.

President.—Does miscellaneous include profit?

Mr. Gurjar.—No.

President.—What is included under overhead?

Mr. Gurjar.—Overhead is only supervision.

President.—Exactly what supervision does that include?

Mr. Gurjar.—Office expenses, welfare work, etc.

President.—Could you inform us what is the amount of office expenses charged?

Mr. Gurjar.—I can send you the figure if you want me to further substantiate it.

Dr. Matthai.—Could you give us a statement showing the details of the miscellaneous charges?

Mr. Gurjar.—An analysis of the whole thing, if you like.

Dr. Matthai.—Particularly the item "Miscellaneous charges," how much under what?

Mr. Gurjar.—Yes.

President.—What is the size of the nut and bolt which may be considered typical or standard?

Mr. Gurjar.—The bazar people at present ask for $\frac{1}{2}$ " to $1\frac{1}{2}$ "; thread $1\frac{1}{2}$ " to $\frac{5}{8}$ ". There are bolts of various sizes from $\frac{3}{8}$ " \times $1\frac{1}{2}$ " to $\frac{3}{4}$ " \times 6".

President.—You have shewn the sizes in answer to question No. 1 (a). Which particular size do you turn out?

Mr. Gurjar.—At present according to the market we turn out.

President.— $\frac{3}{8}$ " \times $1\frac{1}{2}$ " is very expensive. You don't turn out very many bolts of this size?

Mr. Gurjar.—No. $\frac{1}{2}$ " is the most that we produce because we require that size for our own purposes. $\frac{5}{8}$ " and $\frac{3}{4}$ " come next.

President.—What about the length?

Mr. Gurjar.— $1\frac{1}{2}$ " to 6".

President.—That is given already in the statement. If one looks at the outturn of works it is possible to say which is the typical size. Can you tell us that in regard to your own works?

Mr. Gurjar.—Since we are working to orders, I cannot say what size would be typical.

Dr. Matthai.—It can be judged by the orders received by you so far.

Mr. Gurjar.— $1\frac{1}{2}$ " \times $\frac{1}{2}$ ". Recently we had an order for $\frac{3}{4}$ " \times $2\frac{1}{2}$ " and 3".

President.—I suppose it would not be possible for you to give the cost of production separately for these?

Mr. Gurjar.—I have already given you.

Prices of imported bolts and nuts.

President.—Would it not be possible for you to give us any information as regards the import price of nuts and bolts?

Mr. Gurjar.—I have brought these figures for you (handed in a list). It is 19 shillings for $\frac{3}{8}$ ".

President.—It does not show the length.

Mr. Gurjar.—They don't make any variation in length.

President.—Do you mean to say that the prices of short and long bolts are the same?

Mr. Gurjar.—Yes, that is what I could gather from the Bombay market. When you raised that point in your letter, I went to the Bombay market and enquired and that was the information I got.

President.—So far as you are concerned, the cost of materials must vary considerably according to the length of the bolt.

Mr. Gurjar.—Yes.

President.—If that is the custom of the import market, it would be profitable for you to manufacture shorter kinds of bolts.

Mr. Gurjar.—It would be profitable to manufacture longer kinds.

President.—Shorter kinds because you will have to use less steel.

Dr. Matthai.—That depends on the demand, I suppose.

Mr. Gurjar.—Yes.

Dr. Matthai.—If you take the 1927 prices given in the statement submitted just now, the price of $\frac{3}{8}$ " is 18s. 6d. and the price of $\frac{1}{2}$ " is 12 shillings. Would there be such a big difference?

The Company's Claim.

President. Your second request is that the Government and State Railways should place their orders with us to the extent of our capacity and this stuff should be purchased leaving a margin of 15 per cent. clear profit to the company. It seems hardly a practical proposition to ask the Railway Companies to estimate exactly what margin would be left to you on each order.

Mr. Gurjar. That is why we have given you the cost of production.

President. It is possible to ascertain 15 per cent. from your cost of production on any one day or one month. But when the Railway Company places an order with you, it is almost impossible for the railway concerned on each occasion to calculate the percentage. The second suggestion of yours is not feasible within the realm of practical politics.

Mr. Gurjar. That can be made a general policy.

President. The last suggestion is that a rebate of Rs. 40 per ton in Customs duty should be given on the material purchased by you for the manufacture of nuts and bolts.

Mr. Gurjar. The least that we expect is that we should be given back the duty at least.

President. Is it your suggestion that the rebate should be made applicable to all who manufacture bolts and nuts?

Mr. Gurjar. Yes, to all people. In Calcutta there is one firm Messrs. Henry Williams, Ltd., who intend to manufacture bolts and nuts. They have got the machinery and if they go on manufacturing bolts and nuts, they should also get the rebate. In short, every manufacturer ought to get.

President.—That, of course, would affect the Tata Iron and Steel Company rather seriously: would it not?—if Messrs. Henry Williams started manufacturing 1,000 tons of bolts and nuts and if we gave them a rebate of Rs. 40 per ton on imported steel? That will encourage them to use imported rod. I am merely putting these difficulties before you.

Mr. Gurjar.—As you will see it is impossible for us to purchase Tatas' material. I should say for the people from the Bombay side.

President. That is exactly the reason why I am asking you whether your proposals are peculiar to Kirloskars or whether it is a general proposal which should be applicable to other firms too.

Mr. Gurjar.—So far as we are concerned my proposition is correct.

President.—You said that this question of rebate should be made applicable to Kirloskars because of exceptional circumstances in which they stand?

Mr. Gurjar.—That is so, but if it is extended to other manufacturers we have absolutely no objection.

President.—What I am trying to point out to you is that there would be serious difficulties in extending it to other firms.

Mr. Gurjar.—I am afraid I can't reply to what the difficulties might be in the case of other firms.

President.—In answer to question 3 you have given us the total cost per ton of bolts for various sizes. Can you average that out?

Mr. Gurjar.—It varies according to the sizes and I have given it to you for various sizes. It will be such a laborious statement to average it out.

President.—Would it be impossible for you to give the average cost per ton?

Mr. Gurjar.—That will not be quite impossible but to make matters quite clear I have given you the figures in detail.

President.—Can you give us the average cost per ton?

Mr. Gurjar.—If required I can give you.

Bolts used in a plough.

Dr. Matthai.—Give us the weighted average, that is to say, take your output of each size and multiply the cost of each size by that output. Do that in each case and then give a general average.

Mr. Gurjar.—I will do that.

Dr. Matthai.—Can you give us some idea of the weight of bolts and nuts in one of your typical ploughs. Your typical plough is No. 9 and you told us last time, I believe, that the total weight of steel in No. 9 plough is 100 lbs. Out of that how much would be the weight of the bolts and nuts?

Mr. Gurjar.—About 2 lbs.

Dr. Matthai.—What is the price at which your No. 9 plough is selling now?

Mr. Gurjar.—Rs. 33 each; some discount has to be given on that.

Dr. Matthai.—Supposing we gave you this relief that you are asking for, not in the shape of a rebate but in the form of a duty of Rs. 40 a ton. That would work out to Rs. 2 a cwt. Supposing the duty went up by Rs. 2 a cwt. how much would that raise the price of your No. 9 plough?

Mr. Gurjar.—It would be something inconsiderable.

Other makers.

Dr. Matthai.—Are bolts and nuts made by bazar smiths? I have been told that they get waste materials, sometimes steel scrap and make bolts and nuts.

Mr. Gurjar.—That may be so but not to a very considerable extent.

Dr. Matthai.—I think every engineering firm makes their own bolts and nuts?

Mr. Gurjar.—Yes, for their own purposes but they do not manufacture for sale.

Dr. Matthai.—And I suppose the railway workshops do the same?

Mr. Gurjar.—Yes, and in spite of that they import large quantities.

Dr. Matthai.—I put that point to you because the President was explaining to you that if we gave you the relief in the form of a rebate everybody who makes bolts and nuts would apply for a rebate and there will be difficulty.

Mr. Gurjar.—What I say is that only those who put them on the market for sale should get it.

Dr. Matthai.—There is the practical difficulty of finding out people who manufacture for sale and those who do not.

Mr. Gurjar.—I see your point.

Dr. Matthai.—Have you seen the latest tariff schedule? If you look up the item—bar and rod—you will find there are various kinds of bar which are exempted from duty. Can you make bolts and nuts out of these exempted sizes?

Mr. Gurjar.—We can make bolts out of $\frac{3}{8}$ bar.

Dr. Matthai.—What about squares under $\frac{1}{2}$ inch? You can make nuts out of squares, can you not?

Mr. Gurjar.—Nut making is not such a profitable business and even if I get a rebate I don't think I shall be manufacturing nuts.

Dr. Matthai.—As far as bolts are concerned squares under $\frac{1}{2}$ won't do. What about flats?

Mr. Gurjar.—It is impossible to manufacture nuts by themselves. Even if I am given the whole of the rebate I cannot make nuts by themselves.

Dr. Matthai.—If you are making nuts along with bolts, then for the purpose of making nuts you can use flats which are exempted here?

Mr. Gurjar.—Squares under $\frac{1}{2}$ inch will only be suitable for $\frac{3}{8}$ inch nuts.

Dr. Matthai.—What about the ovals?

Mr. Gurjar.—They are not useful at all.

President.—What quantity of $\frac{3}{8}$ " bolts in the year do you turn out?

Mr. Gurjar.—That would depend upon the demand.

President.—Can you give us an estimate? Supposing you are turning out 50 tons a year how much of that would be $\frac{3}{8}$ "?

Mr. Gurjar.—I should say $\frac{5}{8}$, $\frac{3}{4}$ and $\frac{1}{2}$ " are more in the market; $\frac{3}{8}$ " is not much in the market.

President.—What percentage of your output is in the form of $\frac{3}{8}$ " judging by your past experience?

Mr. Gurjar.—About 12 per cent.

Dr. Matthai.—Sometimes you can get these nuts made out of cuttings. Supposing, for example, you got a bar 1 foot in length?

Mr. Gurjar.—Our view is this that unless there is a regular demand for these cuttings and there is a regular supply you can't think of that. Cuttings cannot be had except from Tatas, and there is the question of freight.

Dr. Matthai.—It may be worth your while paying a higher freight if you can get the cuttings at a very much lower price than bars.

Mr. Gurjar.—Tatas quoted Rs. 90 per ton delivered Tatanagar. They have given the whole contract to Mr. Trivedi, and I made enquiries from him. The German companies are able to supply bolts so cheaply because they make them out of cuttings.

Dr. Matthai.—Up to what length do you require? Can you use 1 foot length? Supposing, for example, you were using cuttings of bars for your business, what would be the average length of the cuttings you would use?

Mr. Gurjar.—Any size, from 3" to any length.

Dr. Matthai.—Generally in the market what length is known as a cutting?

Mr. Gurjar.—3 feet but for 3 feet there is 4 times wastage.

Dr. Matthai.—What is the length you require for economical manufacture?

Mr. Gurjar.—The best is 15 to 17 feet.

Dr. Matthai.—If it is a cutting you incur larger expenditure on it?

Mr. Gurjar.—Larger expenditure in handling; then there would be more wastage than in the longer ones.

Dr. Matthai.—Does the wastage really matter?

Mr. Gurjar.—It does. At one time we actually tried these but we found it was not worth while handling the cuttings.

Dr. Matthai.—So that it is just as well to get bars rather than cuttings?

Mr. Gurjar.—That is so.

Dr. Matthai.—In 1925-26 you produced 85 tons, that means I suppose, that you sold in the open market 45 tons and you sold that to the railways principally?

Mr. Gurjar.—I think so.

President.—These were hexagonal, were they not?

Mr. Gurjar.—Yes, but railways require all sizes and all kinds and it is better to manufacture countersunk because you get a better price for that, and even to the contractor who purchased these from us it was not worth while getting orders for hexagonals.

Dr. Matthai.—If the railways wanted bolts and nuts it would be for repairs mainly.

Mr. Gurjar.—Yes.

Dr. Matthai.—When they come to you for these things, they come for small quantities?

Mr. Gurjar.—They come to us only when there is a scarcity and the railways themselves do not come to us; they have contractors with whom they have contracts and they in their turn come to us when they cannot get in the market.

Dr. Matthai.—What about nuts? Supposing we proceeded on the general principle that these costs that you have given us for bolts apply generally also to nuts, would that be wrong?

Mr. Gurjar.—In the nuts there is 50 per cent. wastage and at once the cost goes up enormously and we are not able to manufacture. Even if we are given rebates we shall have to ask 50 per cent. duty on imported goods, nuts are sold so very cheap.

President.—So far as nuts are concerned you are not putting in any application at all?

Mr. Gurjar.—No.

Dr. Matthai.—Do you suggest that this rebate should be given to you entirely in respect of bolts?

Mr. Gurjar.—Yes, and in case we manufacture nuts it should be given on nuts also.

Dr. Matthai.—It is very difficult to separate the two, I mean bolts and nuts are manufactured and sold together.

Mr. Gurjar.—It will be difficult for you to distinguish, of course.

President.—Bolts and nuts are imported in the same consignment, are they not?

Mr. Gurjar.—Yes.

President.—They do not import them in separate cases?

Mr. Gurjar.—Sometimes they do, but generally the bolts they import come with the nuts.

Dr. Matthai.—Except in respect of wastage, as far as the other items are concerned do you think there is anything else in which they would be far out?

Mr. Gurjar.—No.

Dr. Matthai.—You have given us some figures for wastage on bolts. Supposing I say generally the wastage on bolts and nuts—taking the general average—is 10 per cent., would that be about right?

Mr. Gurjar.—No.

Dr. Matthai.—Look at your statement in answer to question 3; there you give us the margin for wastage. I added all the percentages up and then divided that by the number of items here and then arrived at the average of 11. I find that the last two sizes on which the wastage is very small form your largest capacity and therefore I estimated 10 per cent. would be the average wastage. Is that somewhere about right?

Mr. Gurjar.—Not in nuts; for bolts it is correct.

Dr. Matthai.—Do you think if we are going to include nuts we have to allow a very large margin? You would put it at 50 per cent.?

Mr. Gurjar.—Yes.

Dr. Matthai.—You have had no experience of nuts?

Mr. Gurjar.—We have got a machine but we stopped manufacture. If you require it we will give you the exact figure of wastage on nuts.

Selling price of bolts and nuts.

Dr. Matthai.—If you could do it, it would be very useful to us. In answer to question 4 (b) you give us the average selling price in 1925-26 of hexagonal and square head bolts at Rs. 12-4-0 a cwt. Is that the wholesale price in the Bombay market?

Mr. Gurjar.—That is the actual price at which we sold.

Dr. Matthai.—Is that price determined by the import price?

Mr. Gurjar.—The price would be determined by the necessity of the person who buys it.

Dr. Matthai.—In bolts and nuts you will agree that there is a considerable quantity of imports and in a big market like Bombay the import price would very largely determine the price. This Rs. 12-4-0 works out to Rs. 245 a ton and that I take is the c.i.f. price *plus* landing charges *plus* duty *plus* dealers' profit. Am I right?

Mr. Gurjar.—That is so.

Dr. Matthai.—You are familiar with the conditions in the Bombay market. Supposing I put it to you that on these iron and steel products somewhere about Rs. 15 to 20 a ton is the dealer's profit, would that be correct?

Mr. Gurjar.—The conditions in Bombay are so peculiar that we cannot put any figure.

Dr. Matthai.—It is impossible for you to give any sort of general figure as regards the dealers' profit in the Bombay market on steel products.

Mr. Gurjar.—It is impossible.

Imports.

Dr. Matthai.—You have examined the trade returns with regard to the imports of bolts and nuts?

Mr. Gurjar.—Yes.

Dr. Matthai.—I find the total quantity of imports for 1926-27 was about 11,000 tons.

Mr. Gurjar.—Yes.

Dr. Matthai.—I have got the latest figures here. Out of that, about 2,500 tons come from the United Kingdom, about 2,700 from Germany and 4,600 tons from Belgium. Now these bolts and nuts which come from the United Kingdom are of special quality.

Mr. Gurjar.—I do think so. I think it is the Continent that is troubling us.

Dr. Matthai.—What is meant by special quality? Is it simply a question of special quality of material or does it mean also special manufacturing skill?

Mr. Gurjar.—That is what the railways insist upon.

Dr. Matthai.—Is there any difference between German and Belgium bolts and nuts? They are precisely the same?

Mr. Gurjar.—Yes.

Dr. Matthai.—I find the average price of German bolts and nuts is Rs. 300 and Belgium Rs. 200. You don't think that it has anything to do with the quality.

Mr. Gurjar.—At least that is my idea.

Dr. Matthai.—Have you had much experience of that?

Mr. Gurjar.—I have consulted many people and they say practically there is no difference in quality.

President.—Do you consider that the difference in prices is due to the difference in the sizes imported.

Mr. Gurjar.—How have you found out Rs. 200 and Rs. 300?

Dr. Matthai.—I don't quite see why there should be this difference. It may be as the President suggested that the German bolts are of particular sizes. As you say there is a big difference between countersunk bolts and other bolts.

Mr. Gurjar.—It might be so, otherwise so far as quality is concerned, there is no difference between German and Belgium.

XIV.—*Letter No. 322, dated the 19th April 1927, from the Tariff Board, to the Baroda Bolt Manufacturing Company, Baroda.*

I am directed to forward to you a copy of a letter sent by the Tariff Board to Messrs. Kirloskar Brothers, Limited, and to ask you if you wish to give oral evidence before the Board in connection with the enquiry into the manufacture of bolts and nuts, to send your replies (with 6 spare copies) to the questions contained therein by or, if possible, before the 29th instant, and also to inform the Board by telegram if you are prepared to depute a representative to give oral evidence at the Board's office in Calcutta at 10-30 A.M. on the 3rd May 1927. Even if you are not prepared to give oral evidence, the Board would still be glad if you would kindly send written replies to the above question as early as possible.

XV.—**Baroda Bolt Manufacturing Company.**

Letter dated 30th April 1927.

As desired in your letter No. 322 of the 19th instant, we are enclosing herewith six copies answer of your questions. For the present we have given up the manufacture of hex. bolts as it is not paying owing to the high price of the raw material, which is increased by the heavy customs duty.

Since the Government has adopted the policy of protecting the main steel industry, manufacturers of small articles like us have suffered a great loss and we hope they will be ruined as the protection is to be continued for a long time.

If the Government really wants to protect Bolt industry it is the only means that we can suggest, to increase the present duty on bolts, Rs. 50 to Rs. 60 per ton on weight or to give the bounty of Rs. 50 per ton to the manufacturers of bolts, nuts, rivets, etc., and other such small articles made from steel bars and rods, etc..

Question No. 1.—Capacity of the plant under the following years:—

- (a) 1925-26. Approximately 4,000 to 6,000 Nos. per day.
- (b) 1926-27.—Same capacity of plant remains yet, but output of bolts is reduced owing to its low market prices.

Weight depends on sizes.

Question No. 2.—Average cost of imported bars in 1924-25—1926-27.

- (a) We imported only in 1924 at £8-10-0 per ton c.i.f. Bombay.
- (b) Landing and f.o.r. charges Rs. 6-8-0 per ton.
- (c) Import duty Rs. 40 per ton.
- (d) Railway freight and other expenses up to our factory Rs. 20 per ton.

*Remarks.—*From 1925 up to this time we continued to purchase from the Bombay market at an average cost of Rs. 150 per ton f.o.r. Bombay and other expense up to our factory remains the same as Rs. 20. In 1927 we have placed one order in England at £6-4-0 per ton c.i.f. and the duty and other charges will remain the same.

Question No. 3.—Cost per ton of bolts in rupees.

- (a) Steel bars purchased from the Bombay market at average cost of Rs. 150 per ton.

Cost of bars at our factory—

	Rs.	A.	P.
Bombay cost	150	0	0
Other expense	20	0	0
	<hr/>		
TOTAL	170	0	0
Wastage at 10 per cent.	17	0	0
	<hr/>		
Total cost of bars	187	0	0
	<hr/>		

(b) Duty Rs. 40 per ton.

(c), (d), (e), (f) 1925-26.—All the above headed expense depends upon the size of bolts for example on $6'' \times \frac{3}{4}''$ bolts Rs. 60 per ton, and on $\frac{3}{2}'' \times 2''$ Rs. 350 per ton.

1926-27.—All the above headed expense depends upon the size of bolts for example on $6'' \times \frac{3}{4}''$ bolts Rs. 50 per ton and on $\frac{3}{2}'' \times 2''$ Rs. 310 per ton.

Remarks.—The above expense is for Hex. head bolts. And on C. S. H. and snap head it increases to 25 per cent. more than shown in above figures.

Question No. 4.—(a).

1925-26 . . . We do not know the prices of imported bolts, but in the Bombay market it was about Rs. 14 for $\frac{3}{4}''$ Dr. bolts, and Rs. 24 to Rs. 26 for $\frac{3}{2}''$ Dr. bolts per cwt.

1926-27 . . . The price in Bombay market is Rs. 11 for $\frac{3}{4}''$ Dr. bolts, and Rs. 20 to Rs. 23 for $\frac{3}{2}''$ Dr. bolts per cwt.

(b)

1925-26 . . . There was no large difference in the monthly ruling prices, but remained averagely Rs. 13 for $\frac{3}{4}''$ Dr. bolts, and $\frac{3}{2}''$ Dr. was not paying us to manufacture.

1926-27 . . . In this year we have not manufactured any Hex. bolts for the market as it is not fetching us any profit, and so only we manufactured Hex. bolts for our contract of G. B. S. Railway and continued to manufacture the Dogspikes.

Part II.—Wire and Wire Nails.

XVI.—*Letter dated the 29th May 1926, from the Government of India, Department of Commerce, to the Tariff Board*

I am directed to invite the attention of the Tariff Board to Customs Ruling No. 4 of 1925 of the Central Board of Revenue, a copy of which was communicated to it with endorsement No. C-272-Cus.-26, dated the 7th May 1926.

2. Under this Ruling, iron or steel wire, stranded, is assessable to customs duty at 10 per cent. *ad valorem* under No. 61 of the Statutory Tariff if it is clearly of the kind known as fencing wire. Other kinds of stranded wire, such as galvanised iron seizing, are assessable under No. 149 at Rs. 60 per ton. The existing entries relating to wire were introduced in the Schedule in June 1924 in accordance with the recommendation contained in the Tariff Board's report regarding the grant of protection to the Steel Industry.

3. It appears from a letter from the Collector of Customs, Rangoon, dated the 17th April 1926, of which a copy is enclosed, that the specific duty of Rs. 60 per ton on stranded wire imported for purpose other than fencing causes a loss of revenue in that it works out to very much less than 10 per cent. *ad valorem* to which all wires were subject prior to June 1924. It is also probably the case that there is no Indian industry in stranded wire which requires protection.

4. I am to request that these facts may be brought to the notice of the Tariff Board in connection with their present enquiry into the Steel Industry.

Enclosure:

Copy of letter No. 5118—1 A.-56 dated the 17th April 1926, from the Collector of Customs, Rangoon, to the Secretary, Central Board of Revenue, Sir.

I have the honour to refer to your letter No. C-272-Cus.-26, dated the 9th March 1926.

2. The values of the seizing wires in question are as follows:—

- (a) The invoice value of $\frac{1}{8}$ " diameter (smaller sample) 21 S. W. G. is 10d. per lb. The landed cost inclusive of duty works out to about 10 annas per lb.
- (b) The invoice value of $\frac{1}{4}$ " diameter (larger sample) 17½ S. W. G. is 6d. per lb. The landed cost inclusive of duty is 6 annas per lb.

3. I am informed that the value of jade cutting $\frac{1}{8}$ " stranded wire is about Rs. 30 per cwt. *cum* duty but a very small amount is imported.

XVII.—THE INDIAN STEEL WIRE PRODUCTS, LIMITED.

A.—WRITTEN.

(1) *Representation dated the 11th May 1926.*

With reference to the press communiqué of the 16th April 1926, we beg to submit the following for the consideration of the Board.

In July 1925 we submitted a representation regarding the necessity of increasing the rate of protection recommended by the Tariff Board in their first report and sanctioned by the Government and the Central Legislature. A second letter on the same subject submitting figures as desired by the Tariff Board in their letter No. 500, dated the 10th September 1925, was addressed to the Tariff Board on the 25th September 1925.

Our representative, Mr. Capadia, was examined by the Board on the 6th October 1925 and during the course of his examination further information was required by the Board which was supplied by us in our letter, dated the 27th October 1925, whereafter the Board examined our two representatives,

Mr. Lalubhai Samaldas and Mr. Walchand Hirachand, on the 29th October 1925.

In both our representations and the oral evidence of our representatives we have made out a case not only for continuing the protection granted under the Steel Industry (Protection) Act for about 4 years but also for increasing the same.

The Report of the Tariff Board on our representation has not yet been issued to the public and in the absence of such report it is very difficult for us to submit any fresh representation as we have already given our reasons for an increase of protection in our previous representations.

We may state here for the information of the Board that we started manufacturing wires and nails from 21st November 1925. We had to order rods from outside India and as that meant delay in beginning the working of the factory we purchased about 450 tons of second-hand rods and wires to start the work of manufacturing wires and wire nails therefrom.

Our first consignment of imported rods arrived on the 20th March 1926 and the manufacturing of wire from these rods was begun on 22nd March 1926. The production of our manufactured goods has increased from about 7 tons with second-hand rods to 15 tons with imported rods.

The management expects to increase this production with one shift to about 18 tons as the workmen get more practice in working the new machinery. The present figure of 15 tons per day works out to 378 tons per month of 25 working days. The Board will observe that our production even at the present low figure, is 25 tons more per month than given as an estimate in our letter of 27th October 1925.

The cost of manufacturing came in February to Rs. 200 per ton for wire and Rs. 274 per ton for nails. The increase of Rs. 44 on the figures given in our representation, i.e., Rs. 230 per ton is to a very great extent due to the duty of Rs. 40 per ton that we have to pay on rods. If that duty is removed as requested by us in our oral evidence, we will be able to manufacture wires and nails at a figure practically equal to that mentioned in that representation and this, we hope, will satisfy the Board that the demand for increased duty that we had made in our representation was fair and reasonable. The Board has had an opportunity of seeing the working of the factory and if they are satisfied that we have made earnest efforts to increase production and reduce costs, we hope they will be pleased to support our request for continuance of protection at the higher scale suggested in our representation of 27th October 1925. If the Board desire further information or to take oral evidence of our representative we shall be glad to meet with the Board's wishes in the matter.

(2) *Further representation from the Indian Steel Wire Products, Ltd., dated 11th August 1926.*

We beg to submit the following representation for consideration of the Board during the present statutory enquiry regarding our demand for additional protection to Wire and Wire Nail Industry.

Out of the statements of figures which accompany this letter Nos. 1, 2 and 3 disclose the position in respect of our 6 months working of wire production since we resumed operations whereas statements Nos. 4, 5 and 6 appertain to Nail Industry.

As will be apparent statement No. 1 shows the cost of production of wire, taking rods with duty having been paid at Rs. 40 per ton whilst statement No. 2 exhibits the same cost with the duty on rods at 10 per cent. *ad valorem* as recommended by the Board and made effective by the Government of India as per their Resolution No. 360-T. (3).

Statement No. 3 gives the cost as estimated by us on our production of wire when we increase same to 300 tons per shift and it is on this that we have based our claim for additional protection to Wire Industry.

Statements Nos. 4 and 5 similarly show the position with regard to nail production (with the duty at Rs. 40 per ton and 10 per cent. *ad valorem* respectively).

Statement No. 6 is an estimated cost of nail manufacture with an output of 200 tons per shift and our claim for additional protection to Nail Industry is framed in accordance with the data furnished in this statement.

In working out the manufacturing cost of wire as well as nails, we have gone according to the basis laid down by the Board in their first Report on the "Grant of Protection to the Steel Industry" issued in 1924 (*vide* page 202 of this Report), *viz.* :—

Nett metal cost,
Cost above metal,
Overhead charges,
and Profit.

During January, February and March we had to work with the old stock of wire that we had purchased from the Hume Pipe Company at Jamshedpur as the imported rods were not available whereas during subsequent months we utilised imported rods which reached our hands just then.

We have therefore taken as our criterion the average rate for the last 3 months out of the 6 that we have taken into calculation as showing our actual cost both for wire and nail manufacture.

In statement No. 3 we have arrived at what should be considered the fair selling price of wire, *viz.*, Rs. 222-8-0 per ton and deducting therefrom the present import price of wire, *viz.*, Rs. 175 per ton, the difference works out at Rs. 47-8-0 per ton which in round figures we take at Rs. 50.

Similarly in statement No. 6 we have determined what should be considered the fair selling price of nails, *viz.*, Rs. 277-8-0 per ton and deducting therefrom the present import price of nails, *viz.*, Rs. 210 per ton, the difference works out at Rs. 67-8-0 which we take at Rs. 70.

We note in paragraph 7 of the Board's last Report (published at the end of last month) on the "Grant of Protection to the Wire and Wire Nail Industry" that if additional protection is to be given to us, they have no hesitation in recommending that it should take the form of a bounty.

We also note that the Board do not recommend that a higher duty should be imposed on wire nails than on wire and that the Government of India have accepted this finding.

We therefore beg to propose that as per statements Nos. 3 and 6 submitted by us, we should be granted additional protection in the form of a bounty at Rs. 60 per ton on our productions of wire and nails each taken separately. This we have taken as the mean of Rs. 50 and Rs. 70 the respective differences obtained in our statements of estimated costs of wire and nails.

We submit that ours should be considered a national Industry and in order to settle and ensure the prospects of the industry for a definitely long period (*vide* paragraph 21 of the last Report) so that internal competition may thereby also be encouraged and fostered, we propose that the additional bounty claimed by us with the existing protective duty of Rs. 60 per ton on wire and nails should be recommended to be continued for the period of 10 years from April 1927 and that retrospective effect should be given from the time we re-started the works, *i.e.*, December 1925 as recommended by the Board in paragraph 22 of their last Report.

We beg to enclose herewith our letter to the Collector of Customs, Calcutta, along with a copy of our statement as sent to him for rebate claimed by us.

If for any reason this rebate of Rs. 30,000 is not allowed to us, we would request your attention to this matter in considering the question of recommending retrospective action to be taken.

We shall feel much obliged if the Board will kindly issue their report in our matter before 15th October next by which date we presume the Board's Report on the Steel Industry is to be submitted to Government, as otherwise the action thereon being delayed will be rendered ineffectual.

If the bounty as claimed by us is recommended to be given for a period of 10 years and if during the interval anything untoward happens which might bring about an abnormal fall in import prices and thereby might upset the calculations taken, may we suggest that Government should be advised to act in the manner as indicated in paragraphs 33 to 38 (pages 20 and 21) of the Board's first Report regarding the "Grant of Protection to Steel Industry" issued in 1924.

Enclosure No. 1.

COPY.

2nd August 1926.
1078.

The Collector of Customs,
Customs House,
Calcutta.

DEAR SIR,

Re remission of duty on Steel Rods.

We beg to inform you that soon after our representation to the Tariff Board in October last we had imported about 1,000 tons of No. 5 Continental steel wire rods for the purpose of converting them into wire and wire nails and that we had to pay a protective duty on these rods at the rate of Rs. 40 per ton as the Report of the Tariff Board recommending the exemption of wire rods from the existing protective duty could not be presented to the Government of India before our shipments of rods arrived at Calcutta.

The Government of India have now been pleased to accept the recommendation of the Tariff Board and have passed orders in accordance therewith as per their resolution No. 362-T. (3) to remit so much of the protective duty as is in excess of the previous duty of 10 per cent. *ad valorem*.

We therefore beg to submit our claim for the rebate of Rs. 30,207-4-0 being the difference between Rs. 39,498-6-0 already paid by us at Rs. 40 per ton and Rs. 9,291-2-0 calculated at 10 per cent. *ad valorem*.

We append herewith a statement showing the amount of rebate claimed by us with supporting vouchers and invoices which you will kindly return to us as early as possible.

We shall therefore thank you to let us have the above amount at an early date.

Yours faithfully,

For The Indian Steel Wire Products, Ltd.,

Sd/ LALUBHAI WALCHAND CAPADIA & CO.,
Agents.

Statement of Rebate claimed.

	Rs.	A.	P.	Rs.	A.	P.
<i>No. 5 Steel Wire Rods—</i>						
(1) Cash Voucher No. 4583, dated 15th March 1926.						
2,890 coils Tons. 247-11-0-20 lbs.						
Duty paid at Rs. 60 per ton .	14,853	0	0			
Deduct—Refund obtained for the difference between Rs. 60 and Rs. 40 per ton	4,951	3	0	9,902	6	0
	<hr/>					
(2) Cash Voucher No. 5788, dated 19th March 1926.						
3,198 coils Tons. 247-5-0-3 lbs.						
Duty paid at Rs. 40 per ton .				9,890	1	0
(3) Cash Voucher No. 6998, dated 25th May 1926.						
6,953 coils Tons 492-12-3-25 lbs.						
Duty paid at Rs. 40 per ton .				19,705	15	0
				<hr/>		
				39,498	6	0
(1) Messrs. Tata Limited's Invoice No. 589, dated 21st January 1926, value £1,794-19-7	23,768	0	0			
(2) Invoice No. 593, dated 28th January 1926, value £1,730-18-8	22,919	15	0			
(3) Messrs. Frank Mott's Invoice of 22nd March 1926, value £3,448-10-8	46,223	4	10			
	<hr/>					
TOTAL . £6,974-8-11	92,911	3	10			
Duty at 10 per cent. <i>ad valorem</i>				9,291	2	0
				<hr/>		
Amount of rebate claimed by us				30,207	4	0

Enclosure No. 2.

STATEMENT No. 1.

BRIGHT WIRE.

(With Duty on Rods at Rs. 40 per ton.)

1926.

	January.	February.	March.	April.	May	June	Average of the last 3 months (April, May and June).
	(Hume Pipe stock.)	(Hume Pipe stock.)	(40 per cent. Hume Pipe stock and 60 per cent. Imported Rods.)	(Imported Rods and 3 per cent. Hume Pipe stock.)	(Imported Rods.)	(Imported Rods.)	
	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.
Production.	97 18 0 4	92 3 3 6	163 18 0 21	233 7 0 10	202 10 1 12	150 5 1 12	195 7 2 11
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Works Cost—							
(1) Nett Metal Cost—							
(Wire Rods including Wastage)	88 6 7	88 6 7	139 14 1	159 7 3	162 3 1	160 4 8	160 10 4
(2) Cost above Metal—							
(a) Consumable stores (Chemicals, soap, lime, lubricants, etc.)	20 10 1	24 11 8	18 0 2	9 0 5	9 5 4	9 7 3	9 4 4
(b) Coal and Coke	4 12 7	5 5	3 6 11	2 7 4	1 0 1	1 14 1	1 12 6

(c) Water and Electricity	11 10 10	16 0 5	10 12 6	7 6 10	9 4 8	10 2 5	8 15 4
(d) Wages of labour and supervision	22 1 1	29 7 1	23 4 6	16 6 7	17 12 4	18 6 1	17 8 4
(e) Packing, Railway freight, Selling expenses, Rent and Taxes, Repairs, Stationery, Postage, Welfare, Insurance, etc.	12 9 9	12 13 9	13 10 4	6 1 5	5 13 0	9 6 4	7 1 7
	170 2 11	176 12 11	209 0 6	200 13 10	205 6 6	209 8 10	205 4 5
	114 10 6	121 12 2	108 0 5	48 1 8	55 6 10	74 11 2	59 6 7
	284 13 5	298 9 1	317 0 11	248 15 6	260 13 4	284 4 0	264 11 0
	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0
	307 5 5	311 1 1	329 8 11	261 7 6	273 5 4	296 12 0	277 3 0
	194 16 4	187 6 4	183 15 4	199 2 8	183 8 8	206 4 0	196 5 1
	148 6 1	126 10 0	145 9 7	62 4 10	89 12 8	90 8 0	80 13 11

Department of Agriculture

Department of Agriculture, Ireland, Head Office, Miscellaneous

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STATEMENT No. 2.

BRIGHT WIRE.

(With duty on Rods at 10 per cent. *ad valorem*.)

1928.

	January.	February.	March.	April.	May.	June.	Average of the last 3 months (April, May and June).
	(Hume Pipe stock.)	(Hume Pipe stock.)	(40 per cent. Hume Pipe Stock and 60 per cent. Imported Rods.)	(Imported Rods and 3 per cent. Hume Pipe stock.)	(Imported Rods.)	(Imported Rods.)	
	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.
Production	97 18 0 4	92 3 3 6	103 18 0 21	233 7 0 10	202 10 1 12	150 5 1 12	195 7 2 11
Works Cost -	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(1) Net Metal Cost -	88 6 7	88 6 7	116 11 6	127 7 9	128 9 3	128 7 7	128 2 10
(2) Cost above Metal -	81 12 4	88 6 4	69 2 5	41 6 7	43 3 5	49 4 2	44 10 1
(Stores, Wages, etc.)	170 2 11	176 12 11	185 13 11	168 14 4	171 12 8	177 11 9	172 12 11
Overhead charges -	114 10 6	121 12 2	108 0 5	48 1 8	55 6 10	74 11 2	59 6 7
(1) Depreciation, Interest, Head Office and Miscellaneous)	234 13 5	298 9 1	293 14 4	217 0 0	227 3 6	252 6 11	232 3 6
Profit	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0	12 8 0
Fair Selling price	297 5 5	311 1 1	306 6 4	229 8 0	239 11 6	264 14 11	244 11 6
Our Average Selling price	178 15 4	187 6 4	183 15 4	199 2 8	183 8 8	206 4 0	196 5 1
Difference	118 6 1	123 10 9	122 7 0	30 5 4	56 2 10	58 10 11	48 6 5

Enclosure No. 4.

STATEMENT No. 3.

Estimated cost when production of wire increases to 300 tons per shift.(With duty on rods at 10 per cent. *ad valorem*.)

BRIGHT WIRE.			
Production			Tons 200.
Works cost—			
		Rs.	A. P.
(1) Nett metal cost (wire rods including wastage)	121	0	0
(2) Cost above metal (consumable stores, wages, etc.)	45	0	0
	<hr/>		
	166	0	0
Overhead charges—			
(Depreciation, interest on debentures and working capital, Head Office and Miscellaneous) .	44	0	0
	<hr/>		
	210	0	0
Profit	12	8	0
Fair selling price	222	8	0 per ton.
C.i.f. import price (Rs. 8-12 per cwt.)	175	0	0 per ton.
Difference being the amount of additional bounty claimed by us	47	8	0 per ton.

WIRE NAILS.

(With Duty on Bonds at Rs. 100 per ton.)
1925

	January	February	March	April	May	June	Quarterly Total
(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)	(Wire drawn from Home and Foreign Pipe stock)
T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.	T. C. Q. Rs.
Production	36 19 3 25	62 15 0 13	18 2 1 18	19 15 3 3	135 2 1 17	92 9 1 25	122 12 2 23
Works Cost--							
(1) Metal Cost (Wire)	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(2) Cost above Metal--	297 5 5	302 2 2	327 12 3	231 7 6	273 5 1	225 12 0	237 2 23
(a) Consumable stores (Lubricants, Sawdust, Cotton waste, etc.)	1 7 0	3 2 7	3 2 11	1 12 10	1 12 9	1 9 3	5 11 9
(b) Coal and Coke	0 5 8	0 3 1	0 2 10	0 2 11	0 1 6	0 1 9	0 1 9
(c) Water and Electricity	7 1 9	6 8 0	1 11 5	3 2 3	3 8 3	1 1 4	3 9 3
(d) Wages of labour and supervision	28 5 2	26 1 1	22 8 6	15 3 10	14 11 11	23 6 6	17 13 9
(e) Packing, Railway freight, selling expenses, Rent and Taxes, Repairs, Stationery Postage, Welfare, etc.	36 15 11	31 1 9	38 0 0	26 10 8	34 8 10	35 7 8	271 1 1
Fair Selling Price	374 8 11	369 3 2	389 8 9	398 7 2	328 3 7	341 8 9	322 11 6
Our Average Selling price	296 12 4	222 3 0	218 7 0	218 3 8	225 11 8	224 2 8	222 11 1
Difference	167 12 7	147 0 2	171 1 9	90 3 6	102 7 11	137 6 1	110 0 2

WIRE NAILS.(Wire duty on Rods at 10 per cent. *ad valorem*.)

	January.	February.	March.	April.	May.	June.	Average of the last 3 months (April, May and June).
	Wire drawn from Hume Pipe stock and Hume Pipe galvanised wire.	Wire drawn from Hume Pipe stock and Hume Pipe galvanised wire.	Wire drawn from Hume Pipe stock and Hume Pipe galvanised wire.	Wire drawn from Imported Rods.	Wire drawn from Imported Rods.	Wire drawn from Imported Rods.	
	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.
Production	36 10 3 25	62 15 0 13	108 2 1 18	139 15 3 3	135 2 1 17	120 8 3 26	131 15 2 25
Works Cost—							
(1) Metal Cost (Wire)	Rs. A. P. 297 5 5	Rs. A. P. 302 2 2	Rs. A. P. 298 6 5	Rs. A. P. 229 8 0	Rs. A. P. 239 11 6	Rs. A. P. 264 14 11	Rs. A. P. 244 11 6
(2) Cost above Metal (Stores, Wages, etc.)	77 3 6	67 1 6	68 12 9	46 15 8	54 14 3	64 11 9	55 8 7
Fair selling price per ton.	374 8 11	369 3 8	367 3 2	276 7 8	294 9 9	329 10 8	304 4 1
Our average selling price	206 12 4	222 3 0	218 7 0	218 3 8	225 11 8	224 2 8	222 11 4
Difference	167 12 7	147 0 8	148 12 2	58 4 0	68 14 1	105 8 0	77 8 9

Enclosure No. 7.

STATEMENT No. 6.

Estimated cost when production of nails increases to 200 tons per shift (with duty on Rods at 10 per cent. ad valorem).

WIRE NAILS.

Production.

Tons 200.

Works Cost—

	Rs.	A.	P.
(1) Nett metal cost (Wire)	222	8	0
(2) Cost above metal (consumable stores, wages, etc.)	55	0	0
Fair selling price	277	8	0 per ton.
C.i.f. import price (Rs. 10-8-0 per cwt.)	210	0	0 per ton.
Difference being the amount of additional bounty claimed by us	67	8	0 per ton.

(3) Letter No. 941, dated the 21st December 1926, from the Tariff Board, to the Indian Steel Wire Products, Limited, Bombay.

In continuation of the Tariff Board's letter No. 926, dated the 15th instant, I am to say that the Board would be glad if you would supply as quickly as possible, statements (with 6 spare copies) giving the information asked for below:—

- (a) Statement of costs up to date to be submitted in the form in which the statements forwarded with your letter dated the 11th August 1926, printed copies of which are attached for reference, were prepared.
 - (b) Copies of detailed monthly cost sheets for the months of May to December 1926.
 - (c) Statement showing the gauge or gauges of wire in respect of which the cost statements and cost sheets are submitted.
 - (d) A similar statement giving the gauge, length and weight of the wire nails.
 - (e) Statement of the c.i.f. sterling prices of the corresponding gauges of wire and the corresponding sizes of nails in the months of January, February, March, April and November and December 1926.
- N.B.—This c.i.f. price should not include import duty, landing and any handling charges. These charges should be separately shown.
- (f) A similar statement showing the c.i.f. sterling price of wire rods in the same months.
 - (g) A statement of the block value on which depreciation is calculated in the statement called for under (a).

(4) Letter dated the 29th December 1926, from the Indian Steel Wire Products, Limited.

With reference to your letter No. 941, dated the 21st instant we beg to forward herewith statements giving the information required by you.

(a) The Enclosures Nos. 1 and 2 exhibit the position with regard to wire and nail production during the months of July, August and September 1926 (with duty on rods at 10 per cent. ad valorem).

(b) Enclosures Nos. 3 and 4 show the detailed cost of wire and nails during the months of May, June, July, August and September 1926.

(c) The gauge of wire drawn in each month is shown in Enclosure No. 5.

(d) Similarly the length, gauge and weight of nails manufactured in each month are given in Enclosure No. 6.

(e) Regarding c. i. f. sterling prices of wire and nails we enclose herewith copies of some of the invoices we have obtained (Enclosure No. 7).

(f) We also annex herewith copies of invoices showing the c. i. f. sterling prices of wire rods (Enclosure No. 8).

(g) The amount of depreciation and the value of plant and buildings (wire mill) are shown in Enclosure No. 9.

We are glad to inform you that we have now received from the Customs authorities the amount of our claim for rebate on rods already imported by us and referred to in our letter dated 11th August 1926.

We have not been able to give the figures for October as there was no production at all of wire in that month owing to rods having been exhausted.

Similarly the figures for nail production for October are not given as we produced only 37 tons of nails during that month to complete execution of the orders on hand.

In November we got the fresh consignment of rods about the 17th of that month and hence the production was only for a few days the cost of which would practically be of no use for the purpose of comparison.

ENCLOSURE No. I.

BRIDGE WIRE: I.

1926.									
	July.			August.			September.		
	(Imported Rods.)			(Imported Rods.)			(99 per cent. Out-wire drawn in July and 1 per cent. Hume Pipe stock.)		
Production	T. 229	C. 15	Q. 3	T. 105	C. 15	Q. 1	T. 44	C. 15	Q. 1
	Rd. A.	P.	P.	Rd. A.	P.	P.	Rd. A.	P.	P.
Works cost—	128	7	7	128	7	7	231	12	3
(1) Net Metal Cost (Wire Rods including wastage)	37	8	4	58	14	8	65	14	3
(2) Cost above Metal (Stores, wages, etc.)	165	15	11	187	6	3	297	10	6
Overhead Charges—	46	13	7	106	2	1	250	11	4
(Depreciation Interest, Head Office and Miscellaneous)	214	13	6	293	8	4	548	5	10
Profit	12	8	0	12	8	0	12	8	0
Our selling price per ton	227	5	6	306	0	4	500	13	10
Our average selling price per ton	184	6	11	180	15	0	181	12	4
Difference per ton	42	14	7	126	1	4	379	1	6

N.B.—August. In this month we had to curtail daily production in anticipation of the rods being all used up before the end of the month and to keep up the stock going for that month. The rods were exhausted by the middle of August.

September. In this month we did not make wire from rods but only the wire which we had produced in July was re-drawn to thinner sizes in order to supply same to rail department to enable them to execute the orders on hand.

ENCLOSURE No. II

WIRE NAILS II.

		1926.		
		July.	August.	September.
		(Wire drawn from imported rods.)	(Wire drawn from imported rods.)	(Wire drawn in July.)
		T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.
Production		116 14 3 14	94 11 3 18	127 4 1 4
		Rs. A. P.	Rs. A. P.	Rs. A. P.
Works Cost—				
(1) Metal Cost wire		227 5 6	306 0 4	227 5 6
(2) Cost above metal (Stores, wages, etc.)		58 4 7	67 15 1	65 6 5
Fair selling price per ton		285 10 1	373 15 5	292 11 11
Our average selling price per ton		219 14 5	212 11 4	219 14 9
Difference per ton		65 11 8	161 4 1	72 13 2

N.B.—August. As by the middle of this month the rods were exhausted, the wire operators were transferred to the nail department and hence the amount of their wages raised the cost of nails by that extent.

September. In this month taking the production, the cost of Nails was high as the total wages of the wire operators were added on to same.

ENCLOSURE No. III.

BRIGHT WIRE III.

1926.					
	May.	June.	July.	August.	September.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>Works Cost—</i>					
(1) Nett Metal—					
Wire Rods	22,822 15 3	17,816 11 0	27,177 10 3	12,545 6 3	9,859 15 9
Our Wire . . . . .	....	....	....	....	34 12 9
Hume Pipe Wire . . . . .	....	....	....	....	....
10 per cent. Wastage	22,822 15 3 2,282 4 9	17,816 11 0 1,781 10 8	27,177 10 3 2,717 12 3	12,545 6 3 1,254 8 7	9,894 12 6 989 7 8
(2) Cost above Metal—	25,105 4 0	19,598 5 8	29,895 6 6	13,799 14 10	10,884 4 2
(a) Consumable stores—(Chemicals, Soap, lime, lubricants, etc.)	1,890 5 0	1,420 9 0	2,028 13 6	1,218 7 6	257 13 9
(b) Coal and Coke	243 3 6	282 8 9	357 0 3	234 1 3	181 6 6
(c) Water and Electricity	1,882 2 6	1,525 0 3	1,353 0 0	1,045 2 0	660 12 9
(d) Wages and Supervision charges	3,599 4 9	2,762 5 6	3,811 8 9	2,757 14 0	1,249 10 6
(e) Packing, Railway freight, Selling expenses, Rent and Taxes, Repairs, Stationery, Postage, Welfare, Insur- ance, etc.	1,178 5 6	1,431 6 9	1,072 6 3	974 1 9	621 10 3
Overhead Charges— (Depreciation, Interest, Head Office, Miscellaneous)	11,225 0 0	11,225 0 0	11,225 0 0	11,225 0 0	11,225 0 0
Production	45,123 9 3 T. C. Q. lbs. 202 10 1 12	38,245 3 11 T. C. Q. lbs. 150 5 1 12	49,743 3 3 T. C. Q. lbs. 219 15 3 1	31,254 9 4 T. C. Q. lbs. 105 15 1 5	25,071 9 11 T. C. Q. lbs. 44 15 1 23

ENCLOSURE No. IV.

WIRE NAILS IV.

	1926.				
	May.	June.	July.	August.	September.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>Works Cost—</i>					
(1) Metal Cost—					
Our Wire.	27,439 12 4	27,817 14 3	26,599 3 6	29,071 15 8	29,100 0 0
(2) Cost above Metal—					
(a) Consumable Store;—(Lubricants, Saw dust, Cotton waste, etc.)	243 0 9	192 7 0	221 9 6	202 10 3	214 14 6
(b) Coal and Coke	13 2 0	13 9 3	17 2 6	12 2 6	10 12 9
(c) Water and Electricity	474 12 6	494 4 3	469 2 0	538 11 0	732 14 6
(d) Wages and Supervision charges	2,017 0 0	2,819 1 0	2,053 6 9	2,422 8 3	3,395 15 9
(e) Packing, Railway freight, Selling expenses, Rent and Taxes, Repairs, Stationery, Postage, Welfare, etc.	4,668 14 0	4,280 14 9	4,044 8 0	3,199 9 3	3,965 15 0
	34,856 9 7	35,618 2 6	33,405 0 3	35,499 8 11	37,420 8 6
	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.	T. C. Q. lbs.
Production	135 2 1 17	120 8 3 26	116 14 3 14	94 11 3 18	127 4 1 4

ENCLOSURE No. V.

WIRE.

Statement showing the gauges of wire drawn during each month.

1926.	Gauges.	Weight.			
		Tons	Cwts.	Qrs.	Lbs.
1926—					
January	9 to 16	97	18	0	4
February	9 to 16	92	3	3	6
March	7 to 15	103	18	0	21
April	6 to 14	233	7	0	10
May	6 to 14	202	10	1	12
June	6 to 14	150	5	1	12
July	6 to 14	229	15	3	1
August	6 to 14	105	15	1	5
September	7 to 14	44	15	1	23

ENCLOSURE No. VI.

WIRE NAILS.

Statement showing the length, gauge and weight of wire nails manufactured during each month.

	Length.	Gauge.	Weight.			
			Tons	Cwts.	Qrs.	Lbs.
1926—						
January	$1\frac{1}{4}$ "	13, 14 . . .	36	19	3	25.
	$1\frac{1}{2}$ "	13, 14 . . .				
	2"	12 . . .				
	$2\frac{1}{2}$ "	10, 11 . . .				
February	3"	10 . . .	62	15	0	13.
	1"	14, 15 . . .				
	1"	14, 15 . . .				
	$1\frac{1}{4}$ "	14 . . .				
	$1\frac{1}{2}$ "	12, 13, 14 . . .				
	$1\frac{3}{4}$ "	13 . . .				

1926.	Length.	Gauge.	Weight.									
			Tons	Cwts.	Qrs.	Lbs.						
February	{	2" × 10, 12	{	62	15	0	13					
		2½" × 10, 11										
		3" × 9, 10										
		3½" × 9										
		4" × 8, 9										
	{	5" × 7	{									
		1" × 14, 15										
		1¼" × 14										
		1½" × 12, 13										
		1¾" × 13										
1926— March	{	2" × 11, 12	{	108	2	1	18					
2½" × 9, 10, 11												
3" × 10												
4" × 7, 8												
1" × 10, 12, 13, 14, 15												
April	{	1¼" × 12, 13, 14	{									
		1½" × 10, 11, 12, 13										
		1¾" × 12										
		2" × 10, 11, 12, 13										
		2½" × 11										
	{	3" × 9, 10						{	139	15	3	3
		3½" × 9										
		4" × 7, 8										
		5" × 7										
		1" × 14, 15										
May	{	1½" × 10, 11, 12, 13	{	135	2	1	17					
		2" × 10, 12										
		2½" × 10, 11										
		3" × 10										
		3½" × 9										

— —		Length.	Gauge.	Weight.			
				Ton:	Cwts.	Qrs.	Lbs.
May	{	4"	× 7, 8	{	135	2	1 17
		5"	× 7				
		6"	× 6				
June	{	1"	× 10, 15	{	120	8	3 26
		1½"	× 14				
		1½"	× 10, 12, 13, 14				
		1½"	× 13, 14				
		2"	× 10, 11, 12				
		2½"	× 11				
		3"	× 10				
		3½"	× 9				
		4"	× 8				
July	{	5"	× 7, 8	{	116	14	3 14
		1"	× 10, 12, 13, 14				
		1½"	× 14				
		1½"	× 10, 11, 12, 13				
		2½"	× 9, 10, 11, 12				
		3"	× 9, 10, 11, 12				
		4"	× 8, 9, 10				
August	{	5"	× 7	{	94	11	3 18
		1"	× 12, 14, 15				
		1½"	× 14				
		1½"	× 10, 11, 12, 13				
		2"	× 10, 11, 12				
		2½"	× 10, 11				
		3"	× 9, 10, 11, 12				
		4"	× 8				
	{	5"	× 7	{			
		6"	× 6				

	Length. Gauge.	Weight.
		Tons Cwts. Qrs. Lbs.
September	1" × 14, 15	127 4 1 4
	1½" × 14	
	1½" × 11, 12, 13, 14	
	2" × 12	
	2½" × 10, 11	
	3" × 9	
	5" × 7	

ENCLOSURE No. VII.

Invoice No. I.

Copy.

Export.

Import.

FERNAND GILBERT.

Brussels, 30th January, 1926.

82, Avenue Albert Girand.

Invoice No. 342.

Telegraphic Address.—Gilbortig—Brussels.

To Messrs. S. S. Mohamed & Brothers, Calcutta.

For sale and shipment c.i.f.c.i. Calcutta of the hereunder mentioned goods;
 S. S. "Treutenfels" payable at 30 days sight documents against payment. Amount
 Insured £67—to claim in case of damage at sea on insurance policy.

My Reference D-342-19.

Your Order No. Ind. 139 of 24th December 1926.

Marks	Details	Unity price.	Total price.
		£ s. d.	£ s. d.
Azmut C139-342.	100 kegs wire nails :		
Calcutta.	1" × 15, 1½" × 14, 1½" × 13, 2" × 12,	0 12 3	61 5 0
Made in Belgium.	$\frac{5}{15}$ $\frac{10}{10}$ $\frac{15}{15}$ $\frac{25}{25}$		
	1½" × 13, 2½" × 11, 3" × 10, 4" × 9,		
	$\frac{5}{15}$ $\frac{10}{10}$ $\frac{10}{10}$ $\frac{10}{10}$		
	5" × 8, 6" × 7, in all 100 kegs of		
	$\frac{5}{5}$ $\frac{5}{5}$ 1 cwt., nett per cwt.		
	Sixty one pounds sterling five shillings.		

(Sd.) Illegible.

Invoice No. 2.

Copy.

Manchester, April 29th, 1926.

No. 2417.

Invoice of 304 packages bought by Thomas Barlow & Brothers on account of Messrs. Santosh Kumar Mullick & Son and shipped per "Altenfels."

Antwerp to Calcutta consigned to Messrs. Barlow & Co.

Indent No. 8419.

Bright chequered Head Wire Nails.

$\frac{2" \times 11}{24}$	$\frac{2" \times 12}{30}$	$\frac{2\frac{1}{2}" \times 10}{40}$	$\frac{2\frac{1}{2}" \times 11}{50}$	$\frac{3" \times 8}{80}$	$\frac{3" \times 9}{100}$	$\frac{3\frac{1}{2}" \times 9}{50}$	$\frac{4" \times 8}{60}$	$\frac{4" \times 9}{60}$
---------------------------	---------------------------	--------------------------------------	--------------------------------------	--------------------------	---------------------------	-------------------------------------	--------------------------	--------------------------

Kegs each 1 cwt. C.I.F.C.

504 kegs at 11s. 1½d. per cwt., £280-7-0.

We do hereby declare that the goods specified are of the produce and manufacture of Belgium.

And interest at the rate of 6 per cent. to date of payment in cash.

E. & O. E.

Per Pro. THOMAS BARLOW & BROS.

(Sd.) Illegible.

Copy

Invoice No. 3.

14 and 16, Ludgate Hill, London, E.C. 4.

Shippers of Machinery, Plant Tools, Metals, Iron and Steel, Electrical Appliances, Fittings and Lamps, Hardware, Bolts and Boltings, and General Merchandise of every description.

Special Terms and Facilities for Overseas Constituents for whom we act as London Agents.

Weekly Mail Circular 29th July, 1926.

(All prices subject to market fluctuations.)

Wire Nails 1" × 14 to 4" × 9—7 lbs. packets and cases	11s. 9d. per case.
Best Bright Galvanized wire up to 8 gauge Assorted .	£10 per ton.
Best Annealed Iron Wire 16 B. W. G. Unwrapped .	10s. per ton less.
Best Bright drawn Plain Wire basis up to 8 canvas extra	£7-15 0 per ton.

Terms C. I. F. C. F. Ind'an Ports Drafts at 30 or 60 days sight.

Extracts from Dobbertin & Co.'s Price List, dated 19th January, 1926.

Hamburg.
Kattropol.
Montonhof.

	Per ton.
	£ s. d.
Galvanized Wire B. W. G. 8, in canvas	10 18 6
Bright Wire, B. W. G. 8, in canvas	8 17 0
Annealed Wire B. W. G. 12, in canvas	9 12 6
Wire Nails, 1"—6" cases and packets	11 12 6

Prices are quoted for delivery c.i.f. c.i. Bombay, Karachi, Calcutta, 2 per cent-commission.

ENCLOSURE No. VIII.

Invoice No. 1.

Billitor Square Buildings, London, 21st January, 1926.

Messrs. Tata. Ltd.

Bought of Frank Mott & Company, Ltd.

Terms nett cash against shipping documents.

Date.	Quantity and description. 10772	Tons.	Cwts.	Qrs.	Lbs.	£	s.	d.
	<i>Order No. Misc.-88 (completion).</i>							
	To Continental Thomas Steel Wire rods, 3.118 coils, No. 5 gauge, at £7 per ton . . .	247	5	0	3	1,730	15	2
	C.i.f. Calcutta . . .		....					..
	TOTAL		....			1,730	15	2

Marks.

M. J. S. L.

88

(on tallies attached to 10 per cent. of the coils).

Sent down for shipment per S.S. "Magdapur" from Antwerp to Calcutta.

Invoice No. 2.

Bought of Frank Mott & Company.

London, 23rd March, 1926.

Terms 25 per cent. payable on shipment remaining 75 per cent. to be drawn through a Bank in Bombay against shipping documents.

Date.	Quantity and description.	Tons	Cwts.	Qrs.	Lbs.	£	s.	d.
	<i>Order No. Misc.-105.</i>							
	To Thomas quality steel rods, No. 5 gauge in coils of about 150 lbs. each, 6,953 coils, at £7 per ton. . . .	492	12	3	23	3,448	10	8
	C.i.f. Calcutta . . .		....					..

Mark.

1 Green

Misc.-105.

Sent down for shipment per S.S. "Warfield" Antwerp to Calcutta.

Invoice No. 3.

London, 28th August, 1926.

Messrs. The Indian Steel Wire Products, Ltd.

Per Messrs. Tata Ltd.

Bought of Frank Mott & Company, Ltd.

Terms £150 cash with order and balance cash against documents.

Date.	Quantity and description.	Tons	Cwts.	Qrs.	Lbs.	£	s.	d.
	<i>Order No. 123.</i>							
	To 1,320 coils of Thomas quality steel wire rods, No. 5 gauge coils of about 150 lbs. each at £ 6 11-0 per ton .	99	2	3	12	649	7	8
	C.i.f. Calcutta . . . . .		....			649	7	8
	Less cash received with order . . . . .		....			150	0	0
	TOTAL . . . . .		....			499	7	8

E. & O. E.

Mark.

Green

Tata

123

Calcutta.

Shipped by the S.S. "Mahanada" from Antwerp to Calcutta.

Invoice No. 4.

London, 28th August 1926.

Messrs. The Indian Steel Wire Products, Ltd., Bombay.

Per Messrs. Tata, Ltd.

Bought of Frank Mott & Company, Ltd.

Terms £150 cash with order and balance cash against documents.

Date.	Quantity and description. 11041	Tons	Cwts.	Qrs.	Lbs.	£	s.	d.
	<i>Order No. 123.</i>							
	To 1,334 coils of Thomas quality steel wire rods, No. 5 Gauge. Coils of about 150 lbs. each, at £ 6-11-0 per ton	99	3	3	10	649	14	2
	C.i.f. Calcutta . . . . .		....			649	14	2
	Less cash received with order . . . . .		....			150	0	0
	TOTAL . . . . .		....			499	14	2

E. & O. E.

Mark.

Green

Red

Tata

123

Calcutta.

Shipped by S.S. "Merkara" from Antwerp to Calcutta.

Copy of Cable despatched to Wireforms, Bombay.

Bombay, 7th September 1926.

Order 123. Have shipped 100 tons "Merkara" 100 tons "Mahanada" refer our letter 12th ultimo your decision regarding Mott's offer further 800 tons required this week telegraph. Market price now £6-18-6

TATA LTD.,
London,

11th December 1926.

Copy of a Cable dated 10th December 1926, received from Messrs. Frank Mott & Co., Ltd., London, on 11th December, 1926.

Believe you are requiring 500 tons. We offer firm wire rods; same as previously supplied £7-3 nett per ton c.i.f. Bombay. Shipments per steamer during January-February. Cash against documents Bombay. Deposit of £700 with order. Must have immediate decision.

ENCLOSURE No. IX.

Statement showing the depreciation on the Block Value.

Depreciation on the value of plant and buildings is taken at the same figure, viz., Rs. 2,975 as shown on page 46 of the Tariff Board's Report regarding the "grant of protection to the wire and wire nail industry."

2 continuous wire drawing blocks and 3 nail machines were installed at the cost of Rs. 43,624; the completion of buildings increases the value by Rs. 19,675.

The depreciation would therefore be worked out as under:—

	Rs.	Rs.
Plant, Rs. 4,04,402 at 7½ per cent.	30,330	
Addition Rs. 43,624 at 7½ per cent.	3,272	
		33,602
Buildings, Rs. 2,14,603 at 2½ per cent.	5,365	
Addition Rs. 19,675 at 2½ per cent.	482	
		5,847
Depreciation per annum		39,449
i.e., per month		3,288

We have not taken into account the increase of Rs. 313 (3,288 less 2,975) per month in the item of depreciation in order to keep up the previous figure which we had supplied and which the Board accepted, as it would not add to the cost of production to any material or appreciable extent.

(5) Letter dated the 10th January 1927, from the Indian Steel Wire Products, Ltd.

We beg to confirm our two telegrams dated 7th and 10th instant respectively as follows:—

“Directors have previous engagements. Sorry none except Mr. Capadia can attend evidence meeting. Writing. Tisco have addressed us regarding taking over our business. Our Board including Bihar Director will consider proposal and then reply.”

As stated in our telegram we have received a letter from the Tata Iron and Steel Company, Limited, dated the 30th December 1926 a copy of which we enclose herewith.

We are calling a meeting of our Board at an early date to consider this question. As this matter has recently cropped up it will perhaps be advisable to postpone the final examination of our witnesses till we arrive at a final decision.

COPY.

The Tata Iron and Steel Company, Limited,
General Manager's Office,
Jamshedpur via Tatanagar, B. N. R.

30th December 1926.

Messrs. Lalubhai Walchand Capadia & Co.,
Agents, The Indian Steel Wire Products, Limited,
65, Apollo Street, Fort,
Bombay.

DEAR SIRS,

With reference to your Mr. Capadia's recent negotiations with us for a loan against the security of the liquid stocks of The Indian Steel Wire Products, Limited and the further conversations that we have had with him, we write to enquire whether you would be prepared to consider the question of handing over the Company to the Steel Company and, if so, on what terms and conditions. Our idea would be to reconstruct the Company so as to place it ultimately on a paying basis either with protection when we are in a position to supply the necessary raw material or without this if the Company can be made to pay independently of protection. In order to enable our Directors to examine the question, if you are at all prepared to consider a proposal of this nature we shall be obliged if you will kindly send us a copy of your latest balance sheet and profit and loss statement together with statements of costs. The Tariff Board have asked us to give evidence on the question of the protection of wire and nails on the 11th of January and our General Manager will give evidence on the subject. As the Tariff Board, we understand, are also considering the question of the future of the Company, we shall be obliged if you will let us have an early reply to this letter.

Yours faithfully,
Tata Sons Ltd., Agents,
Sd. JOHN PETERSON,
Director.

Statement III.

Wire Nails.

Production.—200 tons of nails per month.

Works cost—

Nett metal cost.—Cost of wire as arrived at in Statement No. III. No percentage of wastage is taken. If there be any it will be covered by the percentage (10 per cent.) taken for wire.

Cost above metal.—Rs. 55 per ton as under:—

	For 200 tons o' nails.	Per ton of nails.
	Rs.	Rs. A. P.
(a) Stores	350	1 12 0
(b) Coal and coke	25	0 2 0
(c) Water and power	700	3 8 0
(d) Wages	3,575	17 14 0
(e) Packing (kegs)	4,000	20 0 0
Railway freight, etc.	2,350	11 12 0
	<u>11,000</u>	<u>55 0 0</u>

Insurance, overhead charges (Depreciation, Interest, Head Office charges and Miscellaneous), Profit, etc., are not shown separately here as the same are included in the cost of wire, c.i.f. import price as given by Messrs. Ganguli and Co. in their letter No. 3142 of 26th June 1926.

Statement IV.

Import Prices. (Rate of exchange 1s. 6d.)

	NAILS.			
	Invoice No.	Date.	Rate per cwt. c.i.f. Calcutta.	Landed price per cwt. c.i.f. Calcutta (with duty Rs. 3 per cwt. and landing charges annas 4 per cwt.)
			s. d. Rs. A. P.	Rs. A. P.
(Through Messrs. Trivedi & Co.), L. V. Trivedi, Brussels.	I 463/450	10th April 1926.	11 1½ i.e. 7 6 8	16 10 8
Ditto, ditto	467	26th April 1926.	11 3 „ 7 8 0	16 12 0
Ditto, ditto	470	27th April 1926.	11 3 „ 7 8 0	16 12 0
Ditto, ditto	506	30th April 1926.	11 3 „ 7 8 0	16 12 0
(Through Messrs. Ganguli & Co.), De Valkeneer Freres & Co., Belgium.	7776	30th March 1926.	11 0 „ 7 5 4	16 9 4
A. G. Kidston & Co., London, (for Continental material).	19463	20th March 1926.	11 6 „ 7 10 8	16 14 8

(7) *Letter dated the 20th January 1927, from the Indian Steel Wire Products, Limited.*

With reference to the question regarding the financial position of our Company raised by the Tariff Board during Mr. Capadia's oral evidence, we have pleasure in saying that the arrangement with the Imperial Bank of India, Calcutta, to which he had referred has now been completed and that the Cash Credit Account will be opened with their Jamshedpur Branch.

We beg to enclose herewith a copy of the Bank's letter on the subject.

COPY.

IMPERIAL BANK OF INDIA.

No. B. 137.

Calcutta, 17th January 1927.

Messrs. Lalubhai Walchand Capadia & Co.,
Agents, The Indian Steel Wire Products, Limited,
65, Apollo Street, Fort, Bombay.

DEAR SIRs,

With reference to your letter No. 1764 of the 8th instant, I have now pleasure to inform you that all formalities in connection with the proposed Cash Credit Account at Jamshedpur Branch have been duly completed. Necessary instructions are being sent to Jamshedpur Agent to-day from whom you will no doubt hear in due course.

Yours faithfully,

Sd.

Offg. Dy. Secretary and Treasurer.

(8) *Letter dated 21st January 1927, from the Indian Steel Wire Products, Limited.*

As required by the Board, we beg to send herewith an estimate of outlay necessary for 3 shifts working for wire and nail production taken together.

Estimate for outlay required per month for all the wire drawing blocks and nail machines at 3 shifts (maximum capacity) based on July figures as asked for.

	Total amount.
	Rs.
1. Wire rods Tons 1,140 at Rs. 110 per ton . . .	1,23,400
	Rs.
2. Sulphuric acid Tons 43-14 cwts. at Rs. 160 per ton	6,992
Soap and grease	2,788
Lubricating oils	670
Lime, cotton waste and saw dust	308
	10,758

		Total amount.	
		Rs.	Rs.
3. Coal and coke	Tons 258 at Rs. 8 per ton		2,064
4. Electric power	. . . . .	3,100	
Water	. . . . .	1,200	
Rental charges	. . . . .	330	
		<hr/>	4,630
5. Wages and salaries:—			
	One shift.	Two shifts.	
	Rs.	Rs.	
Office staff	6 400	6 400	
Work staff	28 3,200	10 550	38 3,750
Workmen and coolies.	90 2,500	144 4,350	234 6,850
	<hr/>	<hr/>	<hr/>
	124 6,100	154 4,900	278 11,000
6. Incidental charges:—			
Packing expenses			8,000
Railway freight			3,200
Land rent and Board of Works			800
Selling expenses			2,000
Postage, stationery and welfare			1,000
Tool steel for dies			1,000
			<hr/>
			16,000
7. Interest and overhead charges			8,000
8. Miscellaneous expenses:—			
Plates, Tools, Electric goods and repairs			2,000
			<hr/>
		TOTAL	1,79,852

Production.		Tons.
Wire		675
Nails		450
Scrap		10
		<hr/>
	TOTAL	1,135

Additional men required for 2nd and 3rd shifts.

		Rs.	A.	P.
Works staff:—				
2 Foremen		200	0	0
2 Electricians		110	0	0
2 Acid Testers		80	0	0
2 Timekeepers		80	0	0
2 Store clerks		80	0	0
		<hr/>		
	TOTAL	550	0	0

	Rs.	A.	P.
Workmen :—			
12 Plate setters at Re. 1-8 a day	450	0	0
24 Block strippers at Re. 1-6 a day	825	0	0
10 Helpers at Re. 1 a day	250	0	0
2 Firemen at Re. 1-6 a day	68	12	0
4 Helpers at Re. 1 a day	100	0	0
2 Pump drivers at Re. 1-8 a day	75	0	0
12 Wire cleaners at Re. 1 a day	300	0	0
12 Fitters at Re. 1-8 a day	450	0	0
8 Nail machine setters at Re. 1-8 a day	300	0	0
8 Operators at Re. 1-6 a day	275	0	0
10 Helpers at Re. 1 a day	250	0	0
12 Cleaners at annas 12 a day	225	0	0
6 Electric motor attenders at Re. 1-4 a day	180	0	0
2 Blacksmiths at Re. 1-6 a day	65	12	0
4 Helpers at Re. 1 a day	100	0	0
12 Khalasis at Re. 1-4 a day	375	0	0
4 Coolies at annas 8 a day	50	0	0

144	Total	4,150	0 0

(9) Letter dated 24th January 1927, from the Indian Steel Wire Products Limited.

As desired by the Tariff Board during Mr. Farnham's oral evidence, we are to forward herewith copies of correspondence maintained by Messrs. W. & A. Barlow and Company and Messrs. Brown and Company regarding the supply of wire rods to us.

Enclosure No. 1.

Copy of letter No. 1023, dated 21st July 1926, from the Indian Steel Wire Products, Limited, to Messrs. Brown and Company.

Regarding Steel Wire rods.

As you may be aware, we are manufacturing steel wire rods at the Jamshedpur works out of imported wire rods. For the purpose of our monthly about 500 tons of Continuous Bessemer wire rods of 1 1/2 inch diameter Thomas steel wire rods. Our present requirement is 500 tons per single shift and this will considerably increase in the second and the third shifts which we are planning to start in the near future. The articles grows.

We shall therefore feel much obliged if you would be prepared to import this quantity of wire rods for the purpose of our monthly about 500 tons delivered c.i.f. Calcutta; payment to be made by us at 90 days sight.

An early reply will oblige.

Enclosure No. 5.

Copy of letter No. 1173, dated 24th/25th August 1926, from Messrs. Lalubhai Walchand Capadia and Company, Agents, The Indian Steel Wire Products, Limited (and reduced), Bombay, to Messrs. Barlow and Company, Calcutta.

Regarding Steel wire rods.

We are in receipt of your letter dated the 9th instant in the above matter and have to thank you for same.

We beg to reply as follows to the points raised in your letter under reply :—

- (a) We would not like to enter into any long agreement to buy from you. We would, however, make ourselves responsible to you for payment of the quantity of rods, say, in lots of about 500 to 1,000 tons every time that we place the indent for same with you.
- (b) We expect to consume about 400 to 500 tons of rods every month.
- (c) We would first ask for c.i.f. quotation from you before placing the order and if it suits us we would let you have the indent duly signed at that quotation.
- (d) We would expect you to pay the duty on goods on arrival as well as the expenses for clearing these goods from the jetty and the total amount thus spent by you would be added to the cost of the rods, which we would pay for as we take delivery in lots of about 200 to 300 tons each time.
- (e) It would not be necessary to furnish any security as the goods would be with you and would not be delivered to us till paid for.

We would be agreeable to pay interest at 7 per cent. per annum on all monies not paid to you within one month from average landing date of the goods.

Will you therefore kindly consider the matter and let us have your reply at an early date?

Enclosure No. 6.

Copy of letter dated 1st September 1926, from Messrs. Barlow and Company, Calcutta, to The Indian Steel Wire Products, Limited.

We thank you for your letter No. 1173 of the 24th/25th ultimo and carefully note contents. We regret we cannot see our way to take up this business unless you furnish us some sort of security. This security would be held by us to cover any market difference, should you at any time fail to carry out your contract. If you cannot deposit with us the amount mentioned in our letter of 9th ultimo, will you kindly let us know how much you could deposit? All the other points in your letter appear to be in order except that we should charge you for the storage of the goods from the time they are landed until they are delivered to you. As a matter of fact such goods would be stored in the Fairlie Warehouse here and the rent bills would be payable by you before you take delivery.

Enclosure No. 7.

Copy of letter No. 1303, dated 28th September 1926, from the Indian Steel Wire Products, Limited, to Messrs. Barlow and Company.

We are in receipt of your letter of the 1st instant and have to thank you for same. As stated in our previous letter payments will be made to you as we take delivery of the goods.

Since you want some sort of security, we would be prepared to deposit Rs. 5,000 as margin up to 1,000 tons to cover any market difference that may arise in case we do not take delivery of the goods ordered by us. We shall thank you to let us hear in reply at an early date.

Enclosure No. 8.

Copy of letter dated 4th October 1926, from Messrs. Barlow and Company, to the Indian Steel Wire Products, Limited, Bombay.

We are in receipt of your letter No. 1365 of 28th ultimo and have given the proposition our careful consideration. We do not consider Rs. 5,000 deposit sufficient to cover market difference on 1,000 tons. If you can only deposit Rs. 5,000 we would be prepared to do business only to the extent of 300 tons. If this is satisfactory to you, kindly send us the deposit and an offer, and we will endeavour to make business.

Enclosure No. 9.

Copy of letter No. 1351, dated 5th October 1926, from the Indian Steel Wire Products, Limited, to Messrs. Barlow and Company.

We are in receipt of your letter of the 4th instant and have to thank you for same.

We have to inform you that we have at present on hand considerable quantity of wire rods which will last us for some time.

We shall be glad to ask for c.i.f. quotation from you by the end of November or December when we will consider the question of replenishing our stock of wire rods before the present lot is run out. We will be willing to deposit the sum with you in the proportion mentioned by you.

Enclosure No. 10.

Copy of letter dated the 11th December 1926, from Messrs. Beruck and Comens Calcutta, to Messrs. Lalubhai Walchand Capadia and Company, Bombay.

Messrs. The Indian Steel Wire Products, Limited, of Tatanagar, inform us in their letter of the 3rd December that they have forwarded to you for disposal our letter of the 30th November addressed to them.

We enclose herewith copy of same for your easy reference and shall be pleased to hear from you on the matter.

Enclosure No. 11.

Copy of letter dated the 30th November 1926, from Messrs. Beruck and Comens to Messrs. Steel Wire Products, Limited, Jamshedpur.

We notice any amount of wire rods arriving in Calcutta, and under the impression it is on your account shall be very pleased if for your future requirements you will let us have your specification and enquiry allowing us to quote you.

We also notice that all those rods are being stored in the Bengal Bonded Warehouse. The rent, carting to godown, and from it for despatch must be heavy items, and we think all those could be curtailed by using our organisation for reception, storing and despatch as we have our godowns in rail communication with the docks and jetties and can despatch direct from our sidings.

These facilities shall allow us to offer you some inducements and should your purchasing arrangements now allow us to quote you we offer you the advantages of our establishment for reception and despatch of the goods.

Enclosure No. 12.

Copy of letter dated 15th December 1926, from the Indian Steel Wire Products, Limited, to Messrs. Beruck and Comens, Calcutta.

We are in receipt of your letter of the 11th instant contents of which we have noted.

We have to inform you that we are manufacturing steel wire and wire nails of various sizes at our Works at Jamshedpur out of imported wire rods.

Our monthly present requirements of steel wire rods for the above purpose are about 500 tons. This quantity will be considerably increased when we begin to work second and third shifts as the demand for our finished products grows.

We shall therefore thank you to let us know if you are prepared to import for us Continental (Belgian) wire rods of Thomas quality in monthly instalments of 500 tons delivered c.i.f. Calcutta, payments for which will be made by us against acceptance of drafts at 90 days sight.

An early reply will oblige.

Enclosure No. 13.

Copy of letter dated the 18th December 1926, from Messrs. Beruck and Comens, Calcutta, to the Indian Steel Wire Products, Limited, Bombay.

We have to thank you for your letter of the 11th instant No. 1577.

We are well placed to import for your wire rods of Thomas quality and can accept your terms of payment by you against your accepted drafts at 90 days sight provided these drafts are also accepted for payments by a known and well established Bank.

We are afraid that unless this is arranged our Antwerp Office may not show any interest in the business because of the nature of the goods and which are not marketable but for your special consumption only.

Enclosure No. 14.

Copy of letter dated the 22nd December 1926, from the Indian Steel Wire Products, Limited, to Messrs. Beruck and Comens, Calcutta.

Regarding No. 5 gauge Steel Wire Rods.

We have to acknowledge receipt of your letter dated the 18th instant in the above matter.

We shall thank you to let us know if you will be prepared to import the above quality of rods on the following terms :—

We would at every transaction request you to furnish us with the c.i.f. Calcutta quotation for these rods. If the price suits us we would place an order with you for same at the quotation.

On arrival of the goods you will arrange to store them in your godowns and pay the duty as well as other charges for clearing the same from the jetty and the total amount thus spent by you would be added to the cost of the rods, which we would pay for as we take delivery in lots of about 200 to 300 tons each time.

We believe you will be properly secured as the goods will be in your possession and will not be delivered to us till paid for.

We will be agreeable to allow you interest at 6 per cent. per annum on monies invested by you on our account and not paid to you within one month from the average landing date of the goods.

We may inform you that these are the terms on which we have arranged to secure our supply of rods from other sources.

Will you therefore kindly consider the matter and let us have your reply at an early date?

Enclosure No. 15.

Copy of letter dated 28th December 1926, from Messrs. Beruck and Comens, Calcutta, to the Indian Steel Wire Products, Limited.

We beg to thank you for your letter No. 1713 of the 22nd instant. It seems to us that you have not clearly understood the contents of our letter of the 18th instant. The reason why we are afraid that our Antwerp Office would not consider this business is in the nature of the goods, which are not marketable and would be imported for your use only. We agree to all your terms on conditions that you give us guarantee by bank or otherwise that all the goods shall be taken up.

There remains also the question of interest and which we propose at 8 per cent. per annum instead of 6 per cent. for all monies invested by us on your account and not paid for within a month from the landing date of the goods. This shall not affect you much considering that you shall obtain the benefit of our installation here allowing cheaper despatch.

Enclosure No. 16.

Copy of letter dated the 20th January 1927, from the Indian Steel Wire Products, Limited, to Messrs. Beruck and Comens, Calcutta.

Regarding No. 5 Gauge Steel Wire Rods.

We beg to acknowledge receipt of your letter of the 28th ultimo on the above subject.

As regards the 2nd paragraph of your letter under reply, we quite realise your position in the matter and would therefore be prepared to offer you a deposit of, say, Rs. 5,000 for a quantity of 300 to 400 tons of rods in order to ensure you against any probable risk or non-acceptance of delivery on our part.

This we think should constitute an ample margin to cover you against any fluctuation in price or in case you may have to sell these rods to outsiders.

The monies which we would deposit with you should serve as an imprest account and could be utilised towards payment of the last lot of wire rods of a particular consignment that we take delivery of.

As regards interest, since you wish same to be increased we would be agreeable to pay at the rate of 7 per cent. per annum on monies invested by you on our account and not paid for within a month from the average landing date of the goods.

Will you therefore kindly consider the matter and let us have an early reply?

(10) Letter dated 20th April 1927, from the Indian Steel Wire Products, Limited.

We have to acknowledge receipt of your letter No. 313 of the 14th instant which came to our hands after the Easter Holidays.

We beg to enclose herewith for your reference copy of the letter which we have addressed to the Imperial Bank, Calcutta. Since writing this letter

we discussed the question of further finance with the Deputy Secretary and Treasurer, Imperial Bank of India, Calcutta, as well as their Agent at Jamshedpur and we are now expecting their reply next week.

We had therefore to request you yesterday by telegram to postpone the hearing of our oral evidence for one week. We have to-day received your reply by telegram as under:—

" 335. Your wire of 19th instant. Board regrets no further postponement can be granted."

Our representative will therefore be present on the 28th instant at 10-30 A.M.

Copy of letter No. 8, dated 1st April 1927, to the Deputy Secretary and Treasurer, Imperial Bank of India, Calcutta.

Re Cash Credit Account.

As you are aware, we have been since January last operating on the Cash Credit Account which you were good enough to open in our favour at Jamshedpur branch of the Bank.

We beg to approach you again on the subject hoping that the matter will receive your favourable consideration. We have at present imported about 500 tons of wire rods which are being despatched to our works from Calcutta. We have been manufacturing wire and nails but owing to the necessity of our having to hold a stock of a variety of sizes and gauges of the finished products and owing to the present very much better and larger demands for our products at improved prices from the consuming centres as well as from Government offices, we are contemplating to go on to the 2nd and 3rd shift of our working.

This would mean that we would have to carry a stock of about 1,200 tons of wire rods for each month to enable us to bring about the increased production so as to have the benefit of the reduction of overhead and other charges in our cost of production.

We may also say that during our evidence before the Tariff Board in the beginning of this year, we found that the Board were anxious to see that we brought about the maximum production with three shift working in order to enable them to frame a report recommending continuation of the scale of protective duty (*viz.*, Rs. 60 per ton) which is at present in force.

In co-operation with our works manager and other staff we have gone into the details of our three shift working and of marketing the articles manufactured by us and we confidently hope that if we are able to do so, it will very materially alter and improve the prospects of our company.

At present we have enquiries for about 500 to 700 tons of annealed wire and also for galvanized wire, ordinary wire and nails of different sizes according to the customer's requirements.

We enclose herewith a copy of the letter received from the Chief Controller of Stores, Indian Stores Department, which will serve to show in what quantities our prospective orders are likely to run into.

We have therefore to request you to consider our proposal of extending the present limit of our Cash Credit from Rs. 1,50,000 to Rs. 3,50,000 against the stocks as at present stipulated with the terms and conditions as are now obtaining.

Our Mr. Capadia will be at Calcutta during next week and will call on you at the Bank when he will be glad to furnish further particulars in connection with this matter if desired.

Copy of letter No. K.-16-D., dated the 18th March 1927, from the Chief Controller of Stores, to the Indian Steel Wire Products, Limited, Tatanagar.

Re Galvanized iron wire.

Will you kindly let us know whether you could undertake the manufacture of wire iron galvanized in accordance with specification No. 649 C, a copy of which is enclosed? If so, your quotations for the quantities noted on the margin may kindly be furnished together with rates of delivery you could guarantee. The copy of the specification may be returned with your reply.

					Tons.
5 gauge wire	600 lbs.	per mile	wire	643	
8	"	"	300	"	676
12	"	"	150	"	200
16	"	"	50	"	2
					1,521

Copy of letter dated the 21st April 1927, from the Indian Steel Wire Products, Limited, to the Secretary, Tariff Board, Calcutta.

We beg to enclose herewith copies of the enquiries which we have received from the Chief Controller of Stores, Indian Stores Department, and others regarding Annealed Wire, Galvanized Wire, etc.

This, we hope, will indicate the volume of business we can secure and to what quantities our prospective orders are likely to amount.

Copy of letter No. K.-16-D., dated the 18th March 1927, from the Chief Controller of Stores, Indian Stores Department, to Messrs. The Indian Steel Wire Products, Limited, Tatanagar.

SUBJECT:—Galvanized iron wire.

Will you kindly let us know whether you could undertake the manufacture of wire iron galvanized, in accordance with specification No. 649 C, a copy of which is enclosed? If so, your quotations for the quantities noted on the margin may kindly be furnished together with rates of delivery you could guarantee. The copy of the specification may be returned with your reply.

					Tons.
5 gauge wire	600 lbs.	per mile	wire	643	
8	"	"	300	"	676
12	"	"	150	"	200
16	"	"	50	"	2
					1,521

Copy of letter No. 2121, dated the 29th March 1927, from the Indian Steel Wire Products, Limited, to the Chief Controller of Stores, Indian Stores Department, Delhi.

Re Tender No. H.-1361 for 350 tons annealed Baling Wire, 12 gauge.

With reference to the tender notice appearing in the *Indian Trade Journal* (page 577) dated 24th March 1927, on the above subject, we shall feel obliged if you will kindly let us know the time during the year 1927-28 when the deliveries are to be effected at the four different places mentioned therein.

This information is required to enable us to submit our tender in this matter and to fix up our programme accordingly.

Extract from the "Indian Trade Journal" (page 577), dated the 25th March 1927.

TENDER NOTICES.

INDIAN STORES DEPARTMENT.

Supply of Annealed Baling Wire.

The Chief Controller of Stores, Indian Stores Department (Hardware Branch), New Delhi, is prepared to receive tenders for the supply of about 350 tons Annealed Baling Wire, 12 gauge, during the year 1927-28 (Tender No. H-1631), as per distribution below :—

About 180 tons f.o.r. Karachi.

About 110 tons f.o.r. Calcutta.

About 40 tons f.o.r. Bombay.

About 20 tons f.o.r. Madras.

Tender forms, etc., can be obtained up to the 4th April 1927, only from the Office of the Chief Controller of Stores, on payment of Rs. 5 per set of two copies which is not returnable. Payment must be made by money order only. Forms will not be sent by V. P. P.

Copy of letter No. 1308-27, dated the 2nd April 1927, from the Indian Steel Wire Products, Limited, to Messrs. Ramchand Jethmal, Bunder Road, Karachi.

Re 200 tons 12 gauge Annealed Wire.

In continuation of our letter No. 1235-27, dated 30th March 1927, will you please let us know whether you want the 200 tons of wire delivered in one lot or distributed over a certain period?

As already quoted in our letter No. 946-27, dated 15th March 1927, our quotation is Rs. 11 per cwt. ex Works.

After your replying our query in the first paragraph above we shall give you delivery time.

(11) Letter dated 22nd April 1927, from the Indian Steel Wire Products, Limited.

We beg to send you herewith for your information copy of the letter which we have received from Messrs. Frank Mott & Co., Ltd., London, to whom we had addressed our enquiry in connection with the importation of wire rods.

We have been importing these rods through this firm and have always found them very satisfactory in our dealings with them. You will see from the accompanying letter that they are agreeable to giving us the necessary facilities and especially what we wanted from them, viz., 90 days T.T. Draft according to the arrangement proposed by them.

As you know we have asked for the extension of cash credit from the Imperial Bank of India, Calcutta, and this along with the 90 days credit for the importation of wire rods (which Messrs. Frank Mott & Co., Ltd. will enable us to provide ample finance for our three lakh maximum production.

Copy of letter dated 7th April 1927, from Messrs. Frank Mott & Co., Ltd., London, to the Indian Steel Wire Products, Limited, Bombay.

Re No. 5-gauge Special Soft Steel Wire Rods.—We beg to refer you in favour of the 10th March, and, first of all, we must apologise that we have answered our letter of the 23rd December, although it has been such a long interval that we feared you had forgotten it altogether.

We do appreciate that you have put to us so fully and clearly your views and suggestions, but unfortunately we are merchants and specialists in certain steel goods, particularly wire rods, and such material, and we do not pose as financiers. Unless we entirely misunderstand the position, it seems to us that you might probably be wanting regularly 500 tons of rods per month, because that is the tonnage you originally mentioned, about 6 or 7 months ago, when your enquiry was first issued through Tata's office in London. Assuming that this is about the quantity you require, you will at once see that a very complicated and, for us, a very anxious position could arise, in quite an ordinary way. Suppose, for instance, it suited you from the point of view of price to make a contract for 1,500 tons, to be shipped at the rate of 500 tons a month. Before the first 500 tons reached India, the second 500 tons would be on the water, and it is quite conceivable that before you began to draw deliveries from the first shipment, the third shipment would be on the water, and in certain extreme circumstances, if you placed a larger contract, it could happen that we would have shipped out 2,000 tons of rods before any money began to come back to us.

If, as we suppose, you intend operating your works in a regular manner, it does seem to us, with very long experience as manufacturers ourselves, that you will never get along satisfactorily if you only cover yourselves for one month's supply of rods, and it must therefore be a reasonable assumption on our part, that, when the time comes for you to deal with this rod situation in earnest, you will, of necessity find it advisable not to buy 300 to 500 tons at a time and be faced with more or less uncertain deliveries, but will probably be compelled to always have a certain quantity of rods on the way to you, so as to maintain a continuous flow of raw material into your mills.

Now, if that be so, you will know as well as we can say, that the financing of these supplies of rods becomes a very substantial question, and we assure you that we want your business if we can get it, and on the same competitive basis as we have previously secured orders from you, but we cannot entertain the idea of a trifling cash deposit, and undertake business on a basis which is essentially that of a banker. We therefore take the liberty of suggesting to you that your own Bankers who know your position and prospects a great deal better than we do, should be willing to finance this matter of Wire Rods, and be ready to take up documents upon presentation by us through our Banker's agents in Bombay or Calcutta. We may say that, with clients of ours in other parts of the world, at different times in the past, quite similar conditions have arisen to those appertaining to your position, and there has been no difficulty with Banks in those foreign places arranging to receive a small margin from our customers, take up the shipping documents on presentation, and the customer pays the Bank locally as and when he takes delivery of the goods. We may say it is within our knowledge, and probably you also know as well, that business on this basis is continually done all over the world by banks, particularly in regard to food stuffs and other kinds of general produce, and where there is a continuous market. In your case, the Bank would have charge of the rods and any margin of deposit you put up with them, but, of course, in the case of Wire Rods there is not a great market in India that the Bank could have recourse to if something prevented you from taking delivery of the rods regularly, but, all the same, we believe, if you will only kindly entertain the suggestion, that your Bankers will be quite willing to put up what we call a "revolving credit" and, as we already stated, we will not ask you to establish a Bank credit in London, but will simplify the matter in the way we have proposed. We, on our part, are perfectly willing to draw upon an approved Bank at 90 days' sight for acceptance of draft in exchange for documents, and we assume that any good quantity of, say, 500 tons of rods would be taken delivery of by you and paid for long before the 90 days' accumulation had expired. We can, at our own Bankers, discount an Indian Bank's draft very cheaply, so that we would only have to add on to our price the minimum calculation for interest, and probably at a much less rate than you would have to pay to your Bankers in India. Under such

arrangements, your Indian Bank would not actually be advancing any money at all, but would be holding the security of your rods against their having to accept our draft, and, in fact, they would apparently be getting the actual cash from you as you took the rods and would have the total amount of money in hand *before* they had to pay out to meet our draft at maturity.

We make the foregoing proposals in all seriousness, and at the same time, would say that we are at present, just as in the past, quite content with a reasonable margin of profit, which only amounts to 2 per cent. or 3 per cent., and we think if you will only seriously entertain our proposals, you will find the thing will work admirably. Apart from this question of finance, there is another point which you might very easily not attach the necessary importance to, and it lies in the question of *the quality* of the rods. What we ship we get from a certain works, and under a long standing special arrangement. You might, through other directions, get rods to a somewhat similar analysis, but in actual practice of drawing down into fine wires you might find a *very big difference indeed in the wear and tear of your draw-plates, etc.*, and various other difficulties, such as breakages of wire when being drawn, all of these points being of great importance when considered on the question of output. In all the orders that we have supplied this particular quality of Thomas rod in this country, in tens of thousands of tons, *we have never had one complaint*, and we are quite sure that, if your Works people had not had very good experience with the material that we have supplied you with, we should long ago have heard about it, we are quite well aware of what happened with the last order you placed, and which we did not get, and although the rods which you will have received may probably have passed muster all right, we should very greatly doubt as to whether they have proved as good in the manufacturing process as the material you have had from us—in fact, we will go so far as to say that some of our customers will take these cheap Thomas rods that we supply, just as readily as the much more expensive, and supposedly special quality American Open Hearth rods. *We guarantee you uniformity in quality and finish from one year to another*, and we therefore earnestly impress upon you the advisability of considering this point of quality, when taking into account the other question of finance.

Going back to the last enquiry we had from you, towards the end of 1926, we can, of course, now appreciate that financial considerations might have prevented you accepting the offer we made you, and repeated more than once. Our predictions as regards the advance in market price were particularly fulfilled, and the 800 tons of rods which you did not see your way to take from us, were sold elsewhere after the market rate in price, and with very satisfactory results to ourselves.

In conclusion, we trust that you will see your way to give effect to our suggestions, and if you can arrange the matter suitably with your bankers, we hope that you will be cabling us soon for a definite offer, in which case we will do our utmost to satisfy you. In cabling, might we ask you to use Bentley's Code always, and we will do the same. If, of course, you find our suggestions are not to your liking, and you have to get your financial accommodation elsewhere, we can only regret it, and we are quite certain that, from time to time, you will meet some disappointments on the quality question.

(12) *Letter dated 2nd May 1927, from the Indian Steel Wire Products, Limited.*

As desired, we beg to send you herewith 3 copies of our last Balance Sheet as one copy of the Trust Deed.

As regards the query put by the Board during our evidence on the 28th ultimo whether profit is included in the overhead charges and if so at what rate, we have to say that the profit is not included in our figures representing the estimate for 3 shifts working (sent to you with our letter dated 21st January).

Item No. 7, viz., interest and overhead charges is made up as follows:—
 Rs. 5,000 Debenture interest.
 Rs. 3,000 Head Office expenses.
Rs. 8,000.

(13) Letter dated 3rd May 1927, from the Indian Steel Wire Products, Limited.

We beg to enclose herewith a revised estimate for capital outlay required per month for all the wire drawing blocks and nail machines at one shift (maximum capacity) and trust that you will find the same in order.

Tatanagar,
 The 2nd May 1927.

Revised estimate for capital outlay required per month for all the wire drawing blocks and nail machines at one shift (maximum capacity).

Wire—225 tons (200 tons H. B. wire and 25 tons annealed wire).		Rs.	
1. Wire rods 330 tons at Rs. 115 per ton			43,700
2. Sulphuric acid 15 tons at Rs. 160 per ton	Rs.	2,400	
Soap and grease		930	
Lime and oils		50	
			<u>3,380</u>
3. Coal and coke 90 tons at Rs. 8 per ton			780
4. Electricity	Rs.	800	
Rental charges		220	
Water		800	
5. Wages and salaries			1,820
6. Incidental charges—			3,700
Packing expenses	Rs.	200	
Railway freight		240	
Land rent and Board of Works		500	
Selling expenses		270	
Postage, stationery, welfare		130	
Tool steel for dies		80	
Insurance		332	
			<u>1,752</u>
7. Interest and depreciation			5,100
8. Head Office expenses			3,000
9. Miscellaneous expenses, wire drawing plates, tools, electric goods and repairs			600
Cost of 375 tons 10 cwts. of wire			63,772
Less for 150 tons 10 cwts. wire issued for nails			25,560
Cost of 225 tons of wire			<u>38,212</u>

Wire Nails—

	Rs.
1. Hard bright wire 150 tons 10 cwt. at Rs. 169-13-4 per ton	25,560
2. Lubricants, cotton waste and sawdust	300
3. Coal 2 tons 10 cwt. at Rs. 8 a ton	20
	Rs.
4. Electricity :	500
Rental charges	110
	—
	610
5. Wages and salaries	2,400
	Rs.
6. Incidental charges—	
Packing expense	3,000
Railway freight	350
Land rent and Board of Works	300
Selling expenses	400
Postage, stationery and welfare	200
Tool steel for dies	200
	—
	4,450
7. Miscellaneous expense—	
Tools, electric goods and repairs	400
	—
Cost of 150 tons nails	33,740
	—
<i>Total production—</i>	
Hard bright wire 200 tons at Rs. 185 per ton	37,000
Annealed wire 25 tons at Rs. 190 per ton	4,750
Wire nails 150 tons at Rs. 210 per ton	31,500
Scrap 3 tons at Rs. 60 per ton	180
	—
Total income	73,430
	—
<i>Total Cost—</i>	
	Rs.
Wire	38,212
Nails	33,740
	—
	71,952
	—
Profit	1,478
	—

(14) *Letter from the Indian Steel Wire Products, Limited, dated the 7th May 1927.*

With reference to our Jamshedpur office letter No. 1813, dated the 3rd instant giving cover to the estimate for the working of wire and nails separately, we beg to inform you that the item of debenture interest has been omitted therein through oversight.

The figure for item No. 7 should be Rs. 10,000 instead of Rs. 5,100 as mentioned therein.

The details for the overhead charges (items No. 7 and No. 8) have been shown in the statement annexed hereto.

The total cost of production would therefore be as under:—

	Rs.
Wire (225 tons)	41,208
Nails (150 tons)	35,744
	<hr/>
	76,952
	<hr/>

We shall therefore thank you to make the necessary adjustments in that connection.

Overhead charges.

Depreciation—	Rs.
7½ per cent. on wire mill machinery (Rs. 4,48,000) .	} 3,225
2½ per cent. on wire mill buildings (Rs. 2,34,000) .	
Interest on Debentures—	
7½ per cent. on 8 lakhs	5,000
Head Office expenses (including Agency allowance) .	3,000
Interest on working capital—	
7½ per cent. on Rs. 3,00,000	1,875
	<hr/>
	13,100
	<hr/>

THE INDIAN STEEL WIRE PRODUCTS, LIMITED.

B.—ORAL.

Evidence of Messrs. K. B. N. CAPADIA and M. T. DERBYSHIRE,
representing Indian Steel Wire Products, Limited, recorded in
Calcutta on Monday, the 10th January, 1927.

Introductory.

President.—You are one of the Directors of the Indian Steel Wire Products, Limited.

Mr. Capadia.—Yes.

President.—Are you in charge of the works as General Manager?

Mr. Capadia.—Mr. Derbyshire is the Works Manager and I am the working partner in the managing agency firm of Messrs. Lalubhai, Walchand Capadia and Company.

President.—What are the general conditions of your managing agency? Under what arrangement do you work with the Indian Steel Wire Products, Limited?

Mr. Capadia.—We get monthly Rs. 1,500 as our allowance and 10 per cent. on profits which item has now been eliminated since we took the loan from the Government of Bihar and Orissa. All that we get now is only Rs. 1,500 a month.

Mr. Mather.—Except of course actual expenses incurred.

Mr. Capadia.—That is right.

Mr. Mathias.—Is that included in the Head Office expenditure?

Mr. Capadia.—Yes, in that sum of Rs. 2,250 under Head Office Expenses, we have included Rs. 1,500.

Progress made since 1924.

President.—There is one aspect of the case to which I wish to draw your particular attention. When we have to consider the question whether protection is to be granted to an industry or not, we are naturally guided by the conditions laid down by the Fiscal Commission. You know what those conditions are.

Mr. Capadia.—We know those conditions.

President.—The meaning of that is that unless an industry fulfils those conditions, it will not get protection, but it does not follow that because an industry fulfils those three conditions, it is bound to get protection. We have got to consider also in addition to other circumstances the question whether the industry is run efficiently, whether it is conducted on business lines, not only should it have an equipment which is suitable to the requirements of the industry but it should be well financed. It should have proper management, expert and other. I think that in this case it is very important for us to satisfy ourselves on these points before we proceed any further.

Mr. Capadia.—Quite.

President.—As far as I have been able to gather, it does seem to me that you have not developed the industry at all since we first reported: in fact, in some respects you seem to have gone back.

Mr. Capadia.—I submit that since we restarted we have gone on gradually increasing the production till our rods were exhausted in August.

President.—I am coming to that. You were granted protection in 1924.

Mr. Capadia.—Yes.

President. I think that you closed down about the middle of 1924 after working for a few months, is that right?

Mr. Capadia. We worked up to the end of September 1924.

President. Then, you did not manufacture anything at all during the remainder of 1924.

Mr. Capadia. For about a year, the works were closed down.

President. More than that surely?

Mr. Capadia. Say for 15 months.

President. In 1925, you did not do anything.

Mr. Capadia. We re-started on 21st November, 1925, say December, 1925.

President. It is now one year and yet your output has not increased.

Mr. Capadia. Formerly our average was not above 100 tons for wire and now our average has been doubled, viz., 200 tons.

President. But that is not much. Your capacity is 10,000 tons a year. I don't think that we should consider it very satisfactory if you say that you have not produced more than 200 tons on an average.

Mr. Capadia. There were circumstances in the way which precluded us from doing more.

President. I am trying to point out to you that in the second quarter of 1925, your average output was 195 tons.

Mr. Capadia. Yes.

President. And in the third quarter, July, August and September.....

Mr. Capadia. Here I would point out that about the middle of August, 1925, our stock of rods was exhausted.

President. Your average has been for the two months only 167 tons.

Mr. Capadia. That I submit should be no criterion because the stock was totally exhausted about the middle of August.

President. Why?

Mr. Capadia.—We were making financial arrangements with the Imperial Bank to raise a loan which we have just succeeded in getting. It should have been settled by that time but it did not come off owing to the Trustee's consent in the matter having been delayed.

Financial position.

President.—You seem to have financial difficulties. That fact when an industry is protected is rather serious thing. You cannot expect the country to carry the burden because you are not able to finance a protected industry. It is opposed to the principle of protection.

Mr. Capadia.—I think that with the loan which we are raising from the Imperial Bank, we shall have as much money as is necessary for our one shift maximum production.

President.—We cannot consider even that as satisfactory that you should continue merely to manufacture on one shift only and with borrowed capital.

Mr. Capadia.—The plant is capable of producing more but the safest course is to concentrate our efforts on one shift in the first instance and then as soon as the maximum is reached for one shift, we can go on to the second shift and then the third shift.

President.—Let us go step by step. Let us first go into the question of finance. In 1925 you obtained a loan from the Government of Bihar and Orissa. It was issued in 1924 but you actually got the money in 1925.

Mr. Capadia.—Yes.

President.—At the time you obtained your loan the book value of your plant was about Rs. 23 lakhs. That is to say you had a subscribed capital of Rs. 23 lakhs.

Mr. Capadia.—Quite so.

President.—In addition to that, your liabilities were Rs. 4 lakhs.

Mr. Capadia.—The liabilities amounted to about Rs. 2,75,000.

President.—According to the letter printed along with the evidence, it appears that the whole of Rs. 23 lakhs had been spent on machinery, preliminary expenses, etc., and that the Company in debt to the extent of over Rs. 4 lakhs.

Mr. Capadia.—I was only referring to the bills payable which came to about Rs. 2,75,000.

President.—Did you meet these debts out of the Rs. 5 lakhs borrowed?

Mr. Capadia.—Yes, and we also purchased the new machinery out of that.

President.—Where did the working capital come from?

Mr. Capadia.—We had in hand at that time some surplus of about Rs. 40,000 or Rs. 50,000.

Mr. Mathias.—Please see page 59 of our Report on Wire and Wire Nails. There in reply to the President you said that the liquid money available at the moment was between Rs. 2 to Rs. 3 lakhs.

Mr. Capadia.—We could give you a detailed account as to how we spent this Rs. 5 lakhs.

President.—It does not matter how you spent it. The real point is how much did you have for working capital?

Mr. Capadia.—Strictly speaking our liabilities were Rs. 2,60,000 in bills payable. The others were converted into debentures. A debt of over Rs. 2,90,000 was converted into debentures, viz., Tata's, Walchand's and Jessop's.

President.—Those are the additional debentures.

Mr. Capadia.—Yes, in addition to the five lakhs which we got from the Government of Bihar and Orissa.

President.—Those additional debentures did not bring you any cash at all.

Mr. Capadia.—No.

President.—Then, out of the five lakhs you paid about Rs. 2,90,000 in debts.

Mr. Capadia.—Rs. 2,60,000 to Rs. 2,75,000.

President.—I think that you also spent some money on machinery.

Mr. Capadia.—Yes, about Rs. 55,000.

President.—It comes to Rs. 3,30,000 (Rs. 2,75,000 plus Rs. 55,000).

Mr. Capadia.—Yes.

President.—So that you had about Rs. 1,70,000 left.

Mr. Capadia.—Roughly the working capital we had on hand was about Rs. 2 lakhs.

President.—That would enable you to carry on on a six months turnover of your present production.

Mr. Capadia.—As a matter of fact, it actually did.

President.—Your output is confined to 200 tons a month.

Mr. Capadia.—But we had to start going again and fresh crew had to be trained and stores and materials bought.

President.—I understood that your full production on one shift would be about 350 tons a month.

Mr. Capadia.—300 tons on an average.

President.—If your works costs are taken according to the July figures which were about Rs. 165 per ton, then it is just about five months turnover on the basis of 200 tons, so that obviously you are short of capital.

Mr. Derbyshire.—We have not got the raw material to carry on.

President.—If it was a private concern, it would not matter but when you apply to the State for assistance, you must see that the works are run to full production.

Mr. Capadia.—As we progress we require more and more money. At present the amount we took has been swallowed in the purchase of raw materials to enable us to get the maximum production.

President.—What is the fresh provision you have made?

Mr. Capadia.—Rs. 1,50,000 from the Imperial Bank in addition to the resources we have already got by way of stocks, stores, outstandings, etc. This would quite suffice for one shift.

President.—You cannot expect us to make any recommendation that is to hold good for any reasonable period on a one shift basis.

Mr. Capadia.—Quite so, but if we are well established on a one-shift basis, naturally we can raise additional finance which we require to run three shifts.

President.—It is not a reasonable attitude to take up that you must first establish yourself on a one shift basis and get a higher degree of protection before you can bring in more capital.

Mr. Capadia.—It is the degree of protection which enables us to raise money more easily. So far we have found the finance necessary to carry on and to develop to the extent we have done. But we are pretty certain of evolving another scheme by which we can get the additional finance required for the second and third shifts provided we show the maximum production at the proper manufacturing cost of one shift scheduled output, as we have done here. I feel no doubt that once we come to that position and if we are successful in getting the protection we are asking for, we can raise the additional money required. We have already raised Rs. 1,50,000.

President.—On the security of stocks?

Mr. Capadia.—Yes.

President.—What percentage do they advance?

Mr. Capadia.—75 per cent.

Mr. Mather.—Have you any other working capital?

Mr. Capadia.—We have stores to the extent of Rs. 60,000 to Rs. 75,000. In addition to that we have some cash balance on hand.

Mr. Mather.—This new loan that you have available amounts to about Rs. 1.50 thousand. The point is this: Rs. 2 lakhs did not prove sufficient because you had a very small production during the last few months, what guarantee is there that this new loan which is no greater is going to suffice to keep you going for more than a few months?

Mr. Capadia.—We have provided for three or four months working capital and in any ordinary business, capital is kept turning over as you know.

Mr. Mather.—In your case it does not appear to be so because you had working capital for five months, but instead of a sufficient turnover it seems to have come to an end in four months.

Mr. Capadia.—In the initial stages we had to encounter all sorts of difficulties. These difficulties are now practically all over. We have arranged for stock of rods, for which hitherto we had to wait, to be held here in Calcutta for us, by one of the biggest firms. What we have arranged is, that the rods would be stored in their godown to the extent of 1,000 tons. That will relieve us of the tension of keeping money locked up in the purchase of rods.

President.—What firm is this?

Mr. Capadia.—Messrs. Barlow and Company. There is another firm Messrs. Beruck and Comens. With the first firm we have already settled and Messrs. Beruck & Comens are likely to afford us the same facilities, so that the bulk of our capital which is locked up now in the purchase of rods could be spared. Moreover it will be quicker delivery whereas in the other case it took four or five months to get delivery, from the time of placing an order and the time of arrival.

Mr. Mather.—The terms of purchase are 25 per cent. against shipment and 75 per cent. on delivery of documents in Bombay.

Mr. Capadia.—That was only at the last time, before which we had to open irrevocable credit in England for Continental materials purchased by Messrs. Tata Limited for us and subsequently these new terms were arranged, 25 per cent. against shipment at a Continental port and 75 per cent. against documents in Bombay. All this will be much more facilitated by the quantity of rods being kept in Messrs. Barlow and Company's godowns. All that they want us to pay is Rs. 5,000 on a consignment of 300 tons. Every month as we want 200 to 300 tons we can take same from their godown and pay interest at 7 per cent. per annum on monies not paid for within one month from the average landing date of the goods. The selling season is slacker during the monsoon so that we have to carry a large stock of finished products all these months when we do not sell very fast. Now, with the cash arrangements that we have made with the Imperial Bank and the progress that we have achieved in the direction of increased production and low manufacturing costs, we are pretty certain of not only reaching the maximum production but also feel that this capital is sufficient for our needs.

Mr. Mathias.—I understand that the arrangements that you have made would save you from locking up a considerable amount of working capital in the purchase of rods; on the other hand the firm with which you are dealing will, to a small extent, have to lock up their own capital by keeping these rods in their warehouse, so I presume that they will require you to pay them something to recompense them?

Mr. Capadia.—This interest of 7 per cent. per annum on the actual amount invested at the time.

Mr. Mathias.—In fact it is really an alternative method of raising working capital, is it not?

Mr. Capadia.—Quite so. That is an additional facility to us.

Mr. Mathias.—The security being the rods they hold?

Mr. Capadia.—Yes.

Mr. Mathias.—Exactly what working capital have you at present before you raise this loan from the Imperial Bank of India?

Mr. Capadia.—We had been carrying on with our own finances for some months. We have not yet been successful in getting the new loan from the Imperial Bank. Negotiations are still going on.

Mr. Mathias.—During the last three or four months exactly what working capital have you been utilizing?

Mr. Capadia.—We had between Rs. 50,000 to Rs. 75,000.

Mr. Mathias.—I see here that the money available for working capital in October 1925 was between Rs. 2 to 3 lakhs. What has happened to the balance? (Page 59 of the last report on Wire and Wire Nails).

Mr. Capadia.—We purchased about 1,700 tons of rods out of that and also purchased new wire blocks as well as the new nail machines that we have installed.

Mr. Mathias.—You purchased the rods and these rods you manufactured into wire. I presume you sell your wire?

Mr. Capadia.—We have a considerable stock of wire at present.

Mr. Mathias.—What is the value of the stock?

Mr. Capadia.—About Rs. 1,40,000 are at present locked up in our finished products.

Mr. Mathias.—So that your working capital for want of a market is locked up in stock?

Mr. Capadia.—That is so; in the monsoon months the sales were not so brisk. The stocks are now diminishing and we expect by March to sell off a considerable part of it.

Mr. Mathias.—So that it takes you about a year to dispose of your six months stock?

Mr. Capadia.—It will not be so now. We are re-organizing our sales department and are about to give same to responsible selling Agents who will dispose of our whole output. That will ensure much quicker sale.

Mr. Mathias.—You have not got a firm and established market; at present you are groping for a market so to speak?

Mr. Capadia.—We would not say groping. We have a market in Calcutta but we are trying to get a more extended market, so that our working capital may not be kept locked up in stocks.

Dr. Matthai.—Is that true both of wire and wire nail, your having a good market in Calcutta?

Mr. Capadia.—Yes, because it is so near. We are not doing much business in wire, the bulk of the business is in nails.

Dr. Matthai.—So that you have sold mostly nails and you have sold the bulk of them probably in Calcutta during the last seven months?

Mr. Capadia.—They have been distributed over other centres as well, Delhi, Punjab, etc. Our agent in the Punjab is a very responsible man and is also an agent of Tatas. He wants a certain form of packing which the purchasers there prefer. We are now packing in that form and we hope to be able to sell at much more remunerative rates in Punjab than we are doing in Calcutta at present.

Mr. Mather.—You get extra price for nails packed in cardboard boxes, do you not?

Mr. Derbyshire.—Yes. The tendency now is to place orders for March delivery and March delivery fetches a better price than other seasons. It is not that we do not sell in other quarters. The extra cost that is involved in the cardboard box packing is compensated by the price that we get.

President.—There is this difficulty that so far as working three shifts is concerned I do not think you have any financial arrangement.

Mr. Capadia.—We have also that in view but I do not think that I shall be in a position to communicate that to you at this stage.

President.—You have not really completed your arrangements for working one shift.

Mr. Capadia.—We have practically completed that. That can be ascertained by a reference to the Imperial Bank. The Director of Industries, Bihar and Orissa, in his letter to the Imperial Bank merely re-iterated one of the conditions which the Bank had laid down. The Bank however did not want the Director of Industries to re-iterate this condition and asked him to write a fresh letter; otherwise the matter is quite in order and we are certain of getting Rs. 1,50,000. In addition to this, as I said, we have arrangements in view by which we can raise additional finance for working three shifts. The financiers want to see us firmly established on one shift working so that they can see that we have lowered our costs and increased our production and then there is every prospect of our getting on to the second and third shifts. As I say, we have organized ourselves, we have improved ourselves as regards quality and quantity; we know where to buy our supplies from. Here is Mr. Derbyshire who has been long with us as works superintendent. He can now confidently say that there will be no difficulty in getting the one shift maximum production, as from our point of view we have got the finance. Our difficulty was, as I said, that our purchase of rods and other materials consumed much of our capital and the sales not being brisk that hampered us further. These difficulties we have now surmounted which we could not have got over except by a gradual process which took us all this time.

Mr. Mathias.—The advance which the Imperial Bank of India is making has not actually been made yet?

Mr. Capadia.—No.

Mr. Mathias.—You say the Director of Industries, Bihar and Orissa, wrote a letter?

Mr. Capadia.—He is on the Board representing the Bihar and Orissa Government. The Bank stipulated that the trustees to the debenture-holders should intimate to the bank that the bank should have prior right to the stock in trade. The trustees have given their consent; The bank stipulated as one of the conditions that the Wire Products Limited should utilize this loan for the purchase of raw materials and manufacture of finished products. This condition the Director of Industries repeated in his letter to the Bank. The bank did not want him to re-iterate this condition; what they wanted was only a letter giving his consent. The Director of Industries has informed us that he has agreed to this and there is only an official letter to be written to the bank. If you want to see the correspondence we can produce it.

President.—Supposing this arrangement were to fall through, what are we to do? We cannot make any conditional recommendation.

Mr. Capadia.—The arrangement is absolutely fixed up. You can see the cash credit form. Any other bank would give us money against the liquid assets in the ordinary course of business. It is not unusual so long as we hold stocks.

President.—Quite true, but the bank would naturally enquire what the position of the debenture-holder was and any other bank may have the same difficulty as the Imperial Bank if the debenture-holder did not give his unconditional consent.

Mr. Capadia.—The trustee on behalf of the Tata Iron and Steel Company, Ltd., has given his unconditional consent; the Bihar and Orissa Government have practically done so; only the consent letter has to be modified and our arrangement will be in operation after this small formality is immediately complied with. There is nothing which will create any difficulty. If the Director of Industries had said to us that he could not give his consent we would have said so. That can be ascertained by a reference to the bank and the Director of Industries.

President.—I take it that so far as your working capital is concerned, it is represented by stocks and there is no liquid capital.

Mr. Capadia.—We have.

President.—How much is that?

Mr. Capadia.—We may have Rs. 15,000 or Rs. 20,000 locked up in outstandings.

President.—I am talking of the liquid capital which you can use.

Mr. Capadia.—It may be anything up to Rs. 20,000.

President.—That is not very much, is it?

Mr. Capadia.—We have sales made ahead.

President.—It is not a very safe margin, is it? I don't think Rs. 20,000 will carry you very far.

Mr. Capadia.—We have at present 500 tons of rods in Calcutta, part of which is paid for. As soon as this arrangement with the bank is settled, we will be able to take delivery of the whole lot of these rods which we have ordered. That will again increase our cash credit with the bank, so that all these sources will, if added up, constitute a very safe margin. In addition, we have stores, consumable materials, and so on.

Mr. Mather.—What stock of rods have you at the work now?

Mr. Capadia.—Rods are all over now.

Mr. Mather.—You have no stock.

Mr. Capadia.—No.

President.—When do you expect the next lot?

Mr. Capadia.—In another fortnight.

Mr. Mathias.—As regards this cash credit with the bank, I don't want to say that the security against that would be stock. We have got to have rods?

Mr. Capadia.—Those will be wire, nails and rods.

Mr. Mathias.—All the rods which you are purchasing with the Imperial Bank's advance or all stocks?

Mr. Capadia.—At present we take the money against the finished products. When we pay for the rods and have them at our Works, we can again have advance against them from the Imperial Bank.

President.—Have you tried to make any arrangement with the Steel Company?

Mr. Capadia.—For additional finance?

President.—Yes.

Mr. Capadia.—Several proposals have been contemplated, but nothing has yet actually materialised. I am told after I left Bombay that Sir Lalubhai has discussed some proposal with the Steel Company which I am not aware of myself at present. We had discussed informally a few arrangements, but which of them has been put before the Steel Company and in what form, I could not say. This much I can say that we have arranged for capital to take us to one shift maximum production, if not more, and as I say, if we succeed in doing that, which we have every hope of doing, there is no reason why we should not be able to get additional finance, but everything has to be done gradually.

Use of Indian Wire Rod.

President.—There is another aspect of the case, which we went into on a previous occasion, and that is whether you would be able at any time to use wire rod manufactured in the country.

Mr. Capadia.—As regards that point, I think the Tata Iron and Steel Company have officially intimated that they would not be able to turn out these rods for three years yet, and I do not know whether they have actually ordered the plant or not. If they have done so, then we should be getting the rods in three years time.

President.—Is it a definite statement that they would be able to manufacture in two or three years?

Mr. Capadia.—This is their letter to us.

President.—What date is it?

Mr. Capadia.—7th/10th August, 1926 (Read).

President.—Rebate by whom?

Mr. Capadia.—By the Customs Authorities.

President.—Mr. Alexander is giving evidence to-morrow, so I should like you to be present here so that you may know what he has to say.

Mr. Mathias.—Would it be a good proposition for you to buy Tatas' rods?

Mr. Capadia.—If they were to compensate us between Nos. 4 and 5, that would be all right.

Mr. Mather.—Would it be all right under the terms of your agreement with the Tata Iron and Steel Company?

Mr. Capadia.—It wouldn't be the cheapest market.

Mr. Mather.—What would be the difference? How much extra would you have to pay Tatas under your agreement with them?

Mr. Capadia.—F.o.b. mean of American and English prices plus 1½s. per ton, but the present position is that we are helping to ask them to revise the agreement. Informally that has been discussed with them but so far nothing has been recorded on paper.

Mr. Mathias.—Until this agreement is revised, it would not be a profitable proposition for you to purchase your rods from Tatas.

Mr. Capadia.—No.

Mr. Mathias.—You would be losing.

Mr. Capadia.—I suppose they would let us be free to go to the cheapest or Continental market. They would not let us lose.

Mr. Mather.—I understand under your arrangement you are free to buy from outside.

Mr. Capadia.—Yes, if they cannot supply us rods according to our specification.

President.—First I would like to ascertain your cost on the footing that you use imported rod. When Mr. Alexander comes, we will have to ascertain what would be their cost, assuming that they had a new special mill for manufacturing rods. In the second place, I should like to ascertain what would be your cost if you had to use Tatas' wire rod. We can't go into that, until we have examined Tatas. From Tatas we will try and ascertain as far as possible. Of course it would be more or less an estimate as to what the cost of manufacturing wire rod in this country is likely to be.

Mr. Capadia.—Any way they will have to give us a competitive rate. They could not charge us a higher rate.

Mr. Mathias.—Is that a new arrangement between you both?

Mr. Capadia.—I mean it would be according to the ordinary general principle which is commonly followed. It is not the present arrangement. The present arrangement is, as I mentioned, f.o.b. mean of American and English prices plus 10s. per ton.

Mr. Mathias.—What was it that you were suggesting?

Mr. Capadia.—I was suggesting that they would be amenable to observe the usual commercial practice.

Dr. Matthai.—Between a principal firm and a subsidiary firm, if anything, it should be a concession rate?

Mr. Capadia.—Yes. They have not supplied us with rods uptill now and we have been put to loss. If anything, we should get compensation for our past losses. The agreement might be revised.

President.—Which costs are we to take in the examination of this question?

Mr. Capadia.—If Tatas definitely say they are going to give us rods, the Board, I submit, might lay down a proposal up to that period for us to carry on with the imported rods and after that with Tatas' rods taking that as the basis.

President.—Can July costs be taken as typical costs?

Mr. Capadia.—For that purpose the April costs might be taken.

President.—The difference is only about 4 tons. The July works costs are lower. If you are using imported wire rod, the most important thing which has to be considered is the spread, really speaking, between the cost of the metal and your works cost, because you cannot otherwise know the foreign cost above metal, is not that so?

Mr. Derbyshire.—Yes.

President.—It would be necessary for us to know the cost of the imported rod in order to compare your fair selling price with the price of the imported wire.

Price of imported wire rod and wire.

Mr. Capadia.—We have quotations. This is the latest cablegram which we have received from Tata Limited (handed in). The last quotation was £7-3-0.

President.—What date was that?

Mr. Capadia.—11th December.

President.—What is the c.i.f. price of wire now?

Mr. Capadia.—We have sent invoices to show the c.i.f. price of wire.

Mr. Mather.—None of these prices for nails or wire are dated December since the price of rod went up.

Mr. Capadia.—No.

President.—We must get some figures for purposes of comparison. What was the price of rod you were using in July?

Mr. Capadia.—£7.

President.—What was the price of wire at that time?

Mr. Capadia.—Our agent at Calcutta in his letter dated 26th June, said that the imported price of wire ranged from Rs. 8-12-0 to Rs. 9 per cwt.

Mr. Mather.—Is that duty paid?

Mr. Derbyshire.—Yes. I think it is the Calcutta market price.

President.—That makes it about £9 c.i.f. per ton.

Mr. Derbyshire.—Yes.

President.—If your wire rod is taken at £7, you would have £2 as difference between wire and rods. Would that be a fair figure to take so far as foreign prices are concerned?

Mr. Derbyshire.—Is that including the railway freight from Tatanagar to Calcutta for both rod and wire?

Mr. Mather.—The President is just now talking about the landed cost.

President.—The difficulty is to find out what the exact price of the rod is and what the price of the wire is at this particular moment?

Mr. Capadia.—The wire prices could be found out from the trade journals.

President.—It depends on the gauge.

Mr. Capadia.—Yes.

The Company's selling price.

President.—This selling price of Rs. 184 that you have realised, is that nett after paying freight and everything?

Mr. Capadia.—Yes, but it does not include the selling commission payable by us.

President.—Rs. 184 you get at Tatanagar, don't you?

Mr. Derbyshire.—We generally sell *ex Works*, Tatanagar.

President.—It has more or less remained in the neighbourhood of Rs. 180 in round figures. Is that the price now?

Mr. Derbyshire.—Yes, that would be the price.

President.—In Calcutta, it would be what?

Mr. Derbyshire.—Rs. 9-8-0 or Rs. 9-12-0 per cwt.

President.—It would be more than that.

Mr. Derbyshire.—No.

President.—It would be more in Calcutta than in Jamshedpur.

Mr. Derbyshire.—Yes.

Railway Freight.

President.—What is the freight from Jamshedpur to Calcutta on wire?

Mr. Derbyshire.—If it is more than 300 maunds it will be Re. 0-7-10 per cwt. or Rs. 10-13-0 per ton (including siding charges).

President.—What is the freight on wire rod.

Mr. Derbyshire.—Rs. 7 a ton (including siding charges). On both rod and wire, it comes to Rs. 17-13-0 per ton.

President.—The incoming freight is Rs. 7 and for the finished wire and nails it is Rs. 10-13-0 per ton.

Mr. Derbyshire.—Yes.

Dr. Matthai.—Has there been any change in this respect?

Mr. Capadia.—The freight has been reduced from Rs. 15 to Rs. 7 for rods and from Rs. 15 to Rs. 10-13-0 for finished products as a result of our representation to the railway people.

Mr. Mathins.—Do you get any other concession?

Mr. Capadia.—None excepting railway freight.

Mr. Mathins.—It is the same concession that you get.

Mr. Capadia.—Yes.

President.—We will take £7 as your July price for rods.

Mr. Capadia.—It is £7.

President.—£7 is equal to Rs. 94 at 1s. 6d. to the rupee. To that we have to add about Rs. 10 for duty and Rs. 7 for haulage and other charges, thus making a total of Rs. 111. To that again we must add railway freight of Rs. 7. It comes to Rs. 118 in round figures.

Mr. Capadia.—Instead of Rs. 7 we may take Rs. 5 for haulage and other charges.

President.—Then, it is Rs. 116. Is that the price landed at the work?

Mr. Capadia.—Yes, that is near enough.

Wire Costs.

President.—What would be the wastage in the case of wire?

Mr. Derbyshire.—2½ to 3 per cent. at the most.

President.—That comes to another Rs. 3, so that the nett metal cost is Rs. 119, is that right?

Mr. Capadia.—Yes, say Rs. 120.

President.—I propose to take your maximum production in calculating that cost, that is to say, we will take 300 tons instead of 220 tons which was your actual production. I should like to have more details. In the case of cost above metal, you have not given the same details as you have done in the earlier figures. Take for instance stores.

Mr. Capadia.—This would clear up everything as regards the cost above metal (handed in a statement).

President.—The total cost above metal comes to Rs. 45

Mr. Capadia.—Yes.

President.—What I cannot understand is this. Stores seem to vary from month to month. These stores, what do they include in the case of wire?

Mr. Capadia.—Acids, lubricants, soap, etc.

President.—I don't understand why the cost above metal should go up. Let us take your average for three months April, May and June in Statement I which gives the details. The average nett metal cost is Rs. 169 because you have taken the duty at Rs. 40. The total works cost is Rs. 205. The difference is about Rs. 45.

Mr. Capadia.—Yes.

President.—In your estimate that you have given just now, though production has increased from 220 tons to 300 tons, still the cost above metal is Rs. 45.

Mr. Capadia.—Assuming that we may require a little more expenditure for stores, acid, etc., which may increase our cost above metal, we have still retained the figure of Rs. 45 (allowing for increased production).

President.—The wages per man would not go up. You may require a little more acid and other things

Mr. Derbyshire.—If we increase the production, the cost must be less.

President.—Look at your costs in July. The cost above metal is Rs. 33.

Mr. Capadia.—We have taken the average for 4, 5 and 6 months.

President.—If you take Statement III, I think that it will give a better idea. It gives the whole cost for July. Take the item "Stores." The expenditure on stores came to Rs. 2,028 on a production of 220 tons. We will call it 230 tons. For 230 tons, your consumable stores came to a

little over Rs. 2,000. Will they cost much more if you are to produce 300 tons a month?

Mr. Derbyshire.—Very little more.

President.—If you divide Rs. 2,028 by 229, it works out at about Rs. 8-14-0 a ton. If you increase your production to 300 tons, obviously your expenditure on stores must come down per ton.

Mr. Mather.—Let us take the same item "stores." What would increase your expenditure? You may use a bit more soap.

Mr. Capadia.—It is a costly item and it is very freely used.

Mr. Mather.—You would not have to use more acid.

Mr. Derbyshire.—No, not much more for the extra 100 tons.

President.—It may be Rs. 7 or Rs. 7-8-0. There should be some reduction, that is all I am trying to point out.

Mr. Capadia.—Quite.

President.—Coal and coke, what is that used for?

Mr. Derbyshire.—That is for the Blacksmith shop and the wire drawing department.

President.—You would not require much more if you increase your production by another 70 tons.

Mr. Derbyshire.—Not much.

President.—If you look at the April, May and June figures, the coal and coke charges are very much lower.

President.—Re. 1 in May, and Rs. 1-14-0 in June.

Mr. Capadia.—On 300 tons we reckoned at Rs. 1-12-0 per ton.

President.—Water and Electricity—In July it was Rs. 1,353 or an average of Rs. 5-14-0. You have given Rs. 9 in your estimate.

Mr. Capadia.—Water and electricity will surely be used more in proportion.

President.—Why should you require more per ton?

Mr. Capadia.—If the total production is increased then there would be more water and electricity absorbed resulting in higher cost of that item.

Dr. Matthai.—You would get better rate for water and electricity the more you consume, would you not?

Mr. Capadia.—Up to that quantity no.

Mr. Mathias.—I find in June you produced 120 tons of Nails and your expenditure is Rs. 494 whereas in September you produced 127 tons and the expenditure is Rs. 732?

Mr. Capadia.—We have put a footnote for September as follows: "In this month we did not make wire from rods but only the wire which we had produced in July was re-drawn to thinner sizes in order to supply same to Nail department to enable them to execute the orders on hand" and hence the total expenditure for the month was debited to the Nail department.

President.—Can you give us your charges separately for electricity?

Mr. Derbyshire.—We cannot give you now.

President.—What do the Tatas charge you per unit?

Mr. Derbyshire.—9 pies per unit. We have to pay the maximum price.

President.—This estimate that you have given here is entirely different. Your actual expenditure in July was Rs. 1,353; you have given us an estimate of 300 tons at Rs. 2,700. It is Rs. 3 per ton more than the actuals for July when your output was smaller. If it was Rs. 6 in July with an output of 230 tons, when it is 300 tons the average should be Rs. 4-8-0 or Rs. 5, it cannot be Rs. 9 when the output increases. I am taking the actuals for July which is about your best month. Your "wages and supervision charges" are Rs. 3,811 at Rs. 16-10-0 per ton; here you give Rs. 5,400 at Rs. 18 per ton when the output increases. In fact wages should not go

up at all. If you had been making 300 tons you probably would not have employed a larger number of men.

Mr. Capadia.—Increase in wages would be necessary to some extent.

President.—It is true, but your wages were higher in July than in any other previous month.

Mr. Mathias.—Are your wages distributed over wire and wire nails in any way? We find that with a reduction in the production of wire in September the wages and supervision charges come to Rs. 1,240 and there is a very large increase in the nails department in that month.

Mr. Capadia.—Because in September for 18 days or so we only re-drew the wire to thinner sizes and did not make new wire from rods and the cost to that extent was debited to wire and the balance expenditure was allotted to the nail department.

President.—Do you put the wages together or allocate them separately?

Mr. Derbyshire.—The wire department and nail department wages are kept separately.

President.—Are these the actual wages in the nail department, those that are given here?

Mr. Derbyshire.—Yes.

Mr. Mathias.—August and September you shifted your men, taking your men off the wire and putting them on to nails?

Mr. Capadia.—Yes.

Dr. Matthai.—Why did you transfer them to the nail department when actually you produced less nails in August than in July?

Mr. Capadia.—We could not keep them idle so we made them work in the nail department.

Dr. Matthai.—Was there enough work in August to justify any transfer of labour? In July your production of nails was 116 tons, in August it was 94 tons but the actual transfer of men from the wire department to the nail department took place precisely in August when the production went down by 20 tons; that is what I do not understand.

Mr. Mathias.—Production went down but the cost of labour went up?

Mr. Derbyshire.—These extra men were put in for stacking and things of that sort, not exactly in producing nails. It was just to keep the men employed.

Mr. Mathias.—It is not really a fair charge on the production of nails?

Mr. Derbyshire.—No, it is not. With the men being there, we wished to keep them so we put them there until such time as more work came in.

Mr. Mathias.—From the accounts point of view it would really be preferable, would it not, to take the surplus labourers wages out of the accounts altogether and keep separate accounts?

Mr. Derbyshire.—In our books we keep it that way.

President.—Your wages bill on your July figures ought not to go up if the output went up from 230 to 300 tons. These are actual works wages?

Mr. Capadia.—Yes.

President.—Rs. 16 may come down to Rs. 13 if you have the full output.

Mr. Capadia.—I do not say it won't come down, but how much we cannot say off-hand.

President.—Then the next biggest items are packing, railway freight, selling expenses, etc. What is this railway freight that you mention.

Mr. Capadia.—It is for the carriage of finished product, the actual amount that you paid.

President.—These incidental charges item (e) work out to just under Rs. 5 a ton.

Mr. Capadia.—The actual freight will be more if we send 300 tons instead of 230 tons.

President.—Why should it cost you Rs. 7 per ton if you send 300 tons and Rs. 5 when you send 230 tons?

Mr. Derbyshire.—We do not get a full wagon load and therefore the freight charge is higher. We have annas 12 more per cwt. to pay on less than 300 maunds. Over 300 maunds we pay Rs. 0-7-10 per cwt.

Dr. Matthai.—Smaller consignments bear a higher freight?

Mr. Derbyshire.—Yes.

President.—The actual figure for incidental charges come to Rs. 4-11-0 per ton. The total works cost comes to Rs. 38-15-0; we will call it Rs. 37-8-0.

Mr. Capadia.—Yes.

President.—On these figures if your output went up to, say, 300 tons then there will be a reduction of Rs. 5 in cost above metal.

Overhead charges.

Mr. Matthai.—In item II (e) you show four heads—stationery, postage, welfare and insurance. Under overhead charges you allow Rs. 1,000 a month. On looking at the first report, annexure B, I find that the miscellaneous charges are intended to cover postage and other charges.

Mr. Capadia.—Rs. 2,250 are our head office expenses including Rs. 1,500 payable to the Agents and Rs. 1,000 which we have taken for miscellaneous (under overhead charges) are for stationery, postage, travelling and other expenses incurred by Bombay Office alone.

Mr. Matthai.—My point is that Rs. 1,000 covers the charges which are entered here as the cost above metal, namely postage, stationery, etc.

Mr. Capadia.—Our idea is to take care of the other incidental charges at our Bombay Office as mentioned above.

Mr. Matthai.—If we take one detailed charge what other labour welfare charges are you thinking of?

Mr. Capadia.—Provision for doctor's fees.

Mr. Matthai.—Where are those included?

Mr. Capadia.—Under welfare.

Mr. Matthai.—What welfare charges are included then under overhead charges?

Mr. Capadia.—Under overhead we have not put any welfare charges at all.

Mr. Matthai.—There are two heads you have here—cost above metal, and overhead charges. What have you included there?

Mr. Capadia.—Stationery, postage, welfare and insurance charges which are included in item (e) of cost above metal are those which are incurred for that purpose by Jamshedpur office only.

Mr. Matthai.—Under overhead charges—miscellaneous, labour welfare. What is included there?

Mr. Capadia.—The miscellaneous under overhead is responsible for the expenses, as mentioned above, in connection with postage, stationery, travel, Eng. etc., incurred at Bombay Office only and no labour or welfare charges of any sort are shown under overhead.

President.—Do you keep a separate account in respect of item (e) in Statement No. 4?

Mr. Capadia.—For packing we keep separate account. We have separate accounts for each of these items.

President.—I would like to put it this way. There may be separate freight on wire and wire nails.

Mr. Capadia.—The freight is the same.

President.—You have to pay freight on wire. You must put everything into the wire account, so that the whole cost of the wire goes into the nails account. Would not that be simpler?

Mr. Capadia.—We have loaded everything on to wire.

President.—In the wire nails department under item (e) you have got Rs. 4,000.

Mr. Capadia.—Because the bulk of that amount *viz.*, Rs. 2,320 is absorbed by packing alone and the balance will account for the other items.

President.—That is just what I am trying to point out. If you eliminate the freight item from the total, which is a special charge on wire nails, the remainder must be added to the wire.

Mr. Capadia.—Packing and selling expenses which are incurred *solely* on account of nails are also a legitimate charge on nail production, in addition to freight.

President.—In Statement III, Bright wire under item (e), packing railway freight, etc., comes to Rs. 1,072.

Mr. Capadia.—Yes, in July.

President.—Packing railway freight, etc., Rs. 4,044 (in Statement IV). The total comes to Rs. 5,116. From that if you deduct packing and railway freight on wire nails, the remainder must be charged to the wire, is it not so?

Mr. Capadia.—In addition to packing and freight, the expenses incurred in connection with the sale of nails should also be charged to nails.

President.—You have only charged wire Rs. 1,072. Other expenses except packing, freight and selling expenses are at present distributed *pro rata* over wire and nails.

Mr. Capadia.—In future we will charge these items to wire exclusively.

President.—You have got 220 tons of nails.

Mr. Capadia.—116 tons \times Rs. 20 = Rs. 2,320 would be packing charges for nails alone.

Mr. Mather.—And then there is the freight.

Mr. Capadia.—Yes.

President.—What is the freight for that?

Mr. Derbyshire.—If it is over 300 maunds, the freight is Rs. 0-7-10 per cwt. and if it is less than 300 maunds, it is As. 11 per cwt.

President.—Shall we say in round figures Rs. 800 for freight?

Mr. Capadia.—If you take the average between As. 11 and As. 8 that would be the freight.

President.—What average shall I take?

Mr. Capadia.—Say As. 10.

President.—It comes to Rs. 12-8-0 a ton.

Mr. Capadia.—Yes.

President.—You gave me Rs. 2,320 for packing; Rs. 1,400 for freight.

Mr. Capadia.—Rs. 3,700.

President.—So the remainder Rs. 1,400 should be added to the wire for welfare, stationery, postage, etc. That works out to Rs. 6 a ton. Now you have got your works cost. That makes your cost about Rs. 38 for wire. That includes all your welfare, postage and other local expenditure. This would come down to Rs. 31 when the output goes up to 300 tons.

Mr. Capadia.—The works cost has been previously allowed at Rs. 37-8-0 to which if we add this present figure of Rs. 6 it would come to Rs. 43-8-0; this figure will be reduced to some extent when the output goes up to 300 tons. The previous figure of Rs. 37-8-0 was already reduced by Rs. 5 in order to allow for maximum production at one shift and so there is no further

Mr. Capadia.—On a full output of three shifts, there should be more wear and tear than what it would be for one shift and hence there should be a depreciation of 10 per cent.

President.—You cannot get 10 per cent. on buildings.

Mr. Capadia.—No. $2\frac{1}{2}$ per cent. on buildings and 10 per cent. on machinery.

President.—It comes approximately to $6\frac{1}{4}$ per cent. on the whole.

Mr. Capadia.—The capital has been invested; the plant is there.

President.—The original value, we cannot accept. We can accept only its present replacement value. Your plant has been re-valued.

Mr. Capadia.—Because it has been re-valued and brought down from Rs. 23 lakhs to Rs. 11 lakhs out of which about 7 to 8 lakhs are represented by Wire Mill machinery and Wire Mill Buildings, I submit that the full depreciation should be allowed on this valuation and on the three shift basis working.

President.—Will this depreciation be enough to enable you to buy a new plant, that is what we call the replacement value? That is all you are entitled to. Supposing your plant cost you Rs. 60 lakhs, but if you are to replace it now, and it is going to cost Rs. 15 lakhs, why should we allow depreciation on Rs. 60 lakhs?

Mr. Capadia.—I don't say that depreciation should be allowed on the original value.

President.—The point I was trying to investigate was this. Why should you charge this depreciation of Rs. 3,300 that you mentioned just now on an output of 300 tons when you are not using the machinery at all to the full extent.

Mr. Capadia.—Taking depreciation at Rs. 3,300 it would amount to Rs. 4,30,000 at the end of 10 years which is even less than present reduced valuation of Rs. 4,50,000 for the Wire Mill Plant.

Dr. Matthai.—It would be 43,000 rupees and odd per year.

Mr. Mather.—Obviously if you are working only half time, machinery will not wear out.

Mr. Capadia.—Presuming that we are going to work the second and the third shifts, there would be no opportunity of full depreciation being provided.

President.—You would get so much per ton. I will put it this way. Supposing you got the necessary quantity of material, rod and everything to work to your full output of 3 shifts, when would you be able to get your full output?

Mr. Derbyshire.—We could do it in one or two weeks' time at the most.

President.—What about the training of men?

Mr. Derbyshire.—That will not take long as we can see from our present experience.

President.—If you spread it over 10,000 tons or even 5,000 or 6,000 tons, your depreciation would be very much less. It is to your advantage to increase your output.

Mr. Capadia.—That is what we are trying to do.

President.—You want to charge this depreciation of Rs. 3,300 a month on an output of 200 tons. That is what you have done in your previous representation. You say that your depreciation must be on the replacement value as otherwise you cannot go on. Supposing your book value is Rs. 5 lakhs and supposing your plant is worth Rs. 10 lakhs, you would have depreciation on Rs. 10 lakhs. Your capital may be Rs. 50 lakhs but if your block is worth only Rs. 10 lakhs, you would have depreciation only on Rs. 10 lakhs. We have got to find out what the actual replacement value of your plant is for the purpose of calculating depreciation. Ordinarily we allow $6\frac{1}{4}$ per cent. but that is on the basis of full output and continuous working.

Block value.

President.—You are entitled to a profit on your block value whatever it is. Whether it is debentures or simply interest on capital, we are not concerned with that. If you use your debenture money in paying for the plant, you cannot claim separate interest, on other capital. Supposing your plant is worth Rs. 7 or 8 lakhs, you can only say that you are entitled to 8 per cent. on that. You can do as you like with that money.

Dr. Matthai.—Can you tell me how you got this figure of Rs. 12-8-0?

Mr. Capadia.—It is the old figure that we took.

Dr. Matthai.—You took an arbitrary figure.

Mr. Capadia.—The actuals are much more.

Dr. Matthai.—Where did you get this Rs. 45,000 from?

Mr. Capadia.—We took it from the Board's report.

Dr. Matthai.—Do you mean the last year's report?

Mr. Capadia.—Yes.

Dr. Matthai.—That was the figure we took from your second representation. How did you fix Rs. 45,000? Why did you not say Rs. 40,000? Did you calculate Rs. 45,000 at any specific rate with regard to capital?

Mr. Capadia.—We calculated it at 7½ per cent. on the reduced share capital of about 6 lakhs. It comes to Rs. 45,000; this divided by 3,600 tons gives us Rs. 12-6-0 per ton.

Dr. Matthai.—7½ per cent. would have been much more.

Mr. Capadia.—Therefore I say it ought to be more. It would be very nearly Rs. 9,000 a month; Rs. 5,000 for Debenture Loan and Rs. 4,000 on Share Capital.

President.—Supposing we allowed you Rs. 5,000 a month which is your actual debenture charge, it comes to Rs. 60,000 a year. If you divide Rs. 60,000 by 3,600 tons, it would be nearly Rs. 17 per ton which would just enable you to pay your debenture charge.

Mr. Capadia.—Yes.

President.—Unless you can show that your block value is more than Rs. 8 lakhs, what other profit can you claim?

Mr. Capadia.—The block value has been written down for the purpose of book entry.

President.—If you are allowed Rs. 5,000, it gives you your interest charges on Rs. 8 lakhs but you have included Rs. 12-8-0 in addition to that.

Mr. Capadia.—Yes.

President.—Rs. 5,000 is shewn as interest. Then, you add another Rs. 12-8-0. On what basis can you claim Rs. 12-8-0 per ton.

Mr. Capadia.—On 3,000 tons which was taken as the production at that time, a profit of Rs. 45,000 was allowed as our minimum and legitimate profit.

Mr. Mather.—You had not any debenture charges then.

Mr. Capadia.—We had debenture charges then. These are shown in your last Report page 2 paragraph 4 and also on page 42.

President.—Those debentures have taken the place of your share capital which has been wiped out.

Mr. Capadia.—In that case it would not leave room for any profit on our present share capital of Rs. 6 lakhs which exists in addition to the debenture loan.

President.—It has been reduced so much because the price of machinery has fallen.

Mr. Capadia.—It has not fallen to that extent. We have reduced it so low as four annas in the rupee to cover previous losses also.

President.—Why do you say that? You know, in our previous report, that we wrote down Tata's block value from Rs. 21 crores to Rs. 15 crores.

Mr. Capadia.—You reduced the block value by one-third.

President.—Would you agree to your plant being written down more or less to the same extent as Tata's?

Mr. Capadia.—We have gone much further than that. We would not mind if you allow two-thirds of our purchase price.

President.—We have got to make certain calculations and we have got to arrive at the replacement value of the various plants with which we have to deal. We do not care how much you spent on it; we want to know what is the present replacement value of the plant and the profit that you are entitled to on that amount.

Mr. Capadia.—But the present replacement value could not be lower than the figure we have taken: if anything it would be higher.

Mr. Mathias.—This Mr. Burkinshaw's report: is he an expert valuer?

Mr. Capadia.—He valued it on behalf of the Bihar and Orissa Government with a view to protect the interests of the debenture holders. If he had valued it for the ordinary purposes of sale, the valuation might have been higher.

Mr. Mathias.—He acted on behalf of both parties?

Mr. Capadia.—No. In fact we had no choice in the matter.

Mr. Mathias.—His report purports to be a report on the present value of your plant?

Mr. Capadia.—Yes.

President.—As I have told you, we must go on the reasonable replacement value of the plant and we must calculate it on that basis. We shall bear in mind the fact that you have got to pay interest on debentures.

Mr. Capadia.—In the last report the figure of Rs. 45,000 was accepted by the Board. It is said "The allowance for profit is a small one, amounting only to Rs. 45,000 on an annual output of 3,600 tons, and is really no more than a margin for contingencies."

President.—That is to say if your Rs. 12-8-0 was confined to a production of Rs. 3,600 tons that would leave you a small margin of profit of Rs. 45,000, but if it went up to 10,000 tons.

Mr. Capadia.—We are calculating profit on the basis of 300 tons for one shift and it should be the same for 3 shifts working because if the figure of Rs. 12-8-0 is further reduced we would not get even as much as a bare margin for contingencies.

President.—Excluding that Rs. 12-8-0 for the moment, we took Rs. 120 as the metal cost, Rs. 37 as the cost above metal and Rs. 27 as overhead charges including depreciation, interest on working capital and Rs. 17 for interest on debentures: that makes a total of Rs. 201. If you add Rs. 12-8-0 it comes to Rs. 213-8-0 against actual cost of Rs. 227 for July and your estimate of Rs. 222.

Mr. Capadia.—It does not include interest on working capital.

President.—It does, Rs. 4 a ton. Against that you have realised a price of Rs. 184 a ton for July. If we were to take 10,000 tons then your interest on working capital would remain the same per ton but the other overhead charges would be reduced by two-thirds. The other charges come to Rs. 39-8-0. There will be Rs. 13 plus Rs. 4 as interest on working capital instead of Rs. 43-8-0 and even if your works costs do not come down very much further your fair selling price would be about Rs. 174. That is the difference if you were to work up to 10,000 tons. I am just trying to point out to you that your claim for additional duty of Rs. 40 a ton is not supported by these figures. Even if we were to allow you Rs. 12-8-0 it means an increase of duty of about Rs. 28-8-0 on the present figures on an annual output of 300 tons a month.

Selling Price.

Dr. Matthai.—With regard to this average selling price that you give for July, have you any information as to the import price c.i.f. since July for wire?

Mr. Capadia.—We have not got them so far though we have been trying to get some more invoices. Wire prices have not gone up I believe but nail prices have.

Dr. Matthai.—The latest figure that you give for the average realized selling price is for July. It is somewhere about July that the organization of wire manufacturers in Belgium really came into being and it seemed to me likely that the present prices of imported wire should be perceptibly higher than your average price for July month.

Mr. Capadia.—I do not think that things have definite shape.

Dr. Matthai.—Would you try to get some information?

Mr. Capadia.—Yes.

Mr. Mathias.—Your actual average selling price for July is Rs. 184. How does that compare with the price for imported rod? Have you got any advantage over imported wire; do you get more for your wire?

Mr. Capadia.—Just the same price; if anything we get a lower price of annas four or so. The best we can expect to get is a price equal to the import price. There is always a prejudice against Indian made articles and constituents are inclined to offer four annas or so less than the price of the imported article.

Mr. Mathias.—On the 29th July the price of wire was £7/15; that works out to Rs. 103 c.i.f. and landing charges Rs. 5 or a total of Rs. 108. If you add to that a duty of Rs. 60, that would bring it up to Rs. 168 whereas you are getting Rs. 184.

Mr. Mather.—What gauge of wire have you in mind?

Mr. Derbyshire.—The average that is sold in the Calcutta market is No. 8 gauge.

Mr. Mather.—What is the difference in price between No. 8 and No. 12 gauge?

Mr. Derbyshire.—No. 12 gauge is more expensive.

Mr. Mathias.—This invoice price works out to Rs. 168 whereas you have got Rs. 184, so that it looks as if in your upcountry market you have some advantage, either some freight advantage or something like that.

Mr. Capadia.—We have got freight advantage.

Mr. Mathias.—You have told us just now that your chief market is in Calcutta.

Mr. Capadia.—That is for nails, not for wire. There is a very limited demand for wire in Calcutta.

Mr. Mathias.—So that the difference between Rs. 168 and Rs. 184 represents your freight advantage in upcountry markets?

Mr. Capadia.—It would not be so much as that. Only the freight from Calcutta to Tatanagar would be saved.

Mr. Mathias.—Would this Rs. 184 include commission to dealers?

Mr. Capadia.—Rs. 184 does not represent our nett selling price; we have to pay selling commission out of same.

Mr. Mathias.—So that really you can account for Rs. 8 out of this difference of Rs. 16; you cannot account for the rest?

Mr. Capadia.—The selling commission would account for Rs. 8 whereas the freight charges would be responsible for more than Rs. 8.

President.—I don't see what c.i.f. price to take for wire unless we take Rs. 184. If we deduct the duty that comes to Rs. 124.

Mr. Capadia.—That would be about the right price, plus Rs. 5 or Rs. 7 for landing charges, etc.

President.—We assume that you get the same price as the foreign price so that Rs. 121 will include everything.

Mr. Capadia.—That is so.

Mr. Mather.—Do you usually sell your wire in canvas bound coils?

Mr. Derbyshire.—In nine cases out of ten, they ask for it in gunny bags.

Mr. Mathias.—You do sell in canvas.

Mr. Derbyshire.—Yes.

Mr. Mather.—Does your cost include packing?

Mr. Derbyshire.—Yes, but canvas is extra.

Mr. Mathias.—What does that amount to?

Mr. Derbyshire.—As. 4 per coil per cwt. which is the cost of the gunny and labour. On top of that we have As. 8 per ton landing charge.

Mr. Mather.—It costs you As. 8.

Mr. Derbyshire.—Yes.

Mr. Capadia.—If you take Rs. 8.12.0, it would be a fair price for wire.

President.—If we took the average for the whole year, it would come to about Rs. 181; it would not be much more than that. You have given the average for six months as about Rs. 181.

Mr. Capadia.—That would be correct.

Wire Nail Costs.

President.—We shall now go into the cost of wire nails. Your July works cost of wire came to Rs. 120 plus Rs. 43.8.0 according to your figures, thus making a total of Rs. 163.8.0. You give Rs. 58 as your cost above metal. Now I want to understand how that is made up.

Mr. Capadia.—For July?

President.—Yes.

Mr. Capadia.—The cost above metal is given as Rs. 38.

President.—I am talking of wire nails.

Mr. Capadia.—We have given the details in our estimate submitted.

President.—There also I take it that these figures are actually divided by the production of 116 tons, is that so?

Mr. Capadia.—Yes. (Statement IV.)

President.—The two biggest items are wages and packing, etc., i.e., item (c).

Mr. Capadia.—Yes.

President.—As regards wages you have given a total of Rs. 2,053 for July, 1926. That was the actual. Why should it go up to Rs. 3,395 when the output goes up? Nails are manufactured in the automatic machines. Why do the wages go up to that extent?

Mr. Capadia.—We have to make allowance for the increased staff to be employed. We have taken the average of the six months and arrived at that figure.

President.—Why should the wages go up so much?

Mr. Capadia.—Is that between the production of 116 tons in July and that of 127 tons in September, 1926?

President.—Yes, because you would not be using any more machines.

Mr. Capadia.—The nail cost was high in September as the wages of the wire operators were debited to the nail department owing to wire having redrawn and that too only small quantity of wire.

Mr. Mather.—Would it actually be more? Supposing you were to make 200 tons of nails on one shift, would you have to employ more men?

Mr. Derbyshire.—That depends on the size of nails. The bigger the nails the bigger the production. So the same number of men with the same number of machines would be able to do that. But when the nails required are of varied sizes, the number of operatives would be more. As I say, it all depends on the sizes of nails.

Mr. Mather.—Supposing the nails were of the average size, if you had plenty of orders, would those men that you had employed in July, August and September, have been able to make 200 tons?

Mr. Derbyshire.—Yes.

Mr. Mather.—The same number of men would be able to do that if you had enough materials.

Mr. Derbyshire.—Yes. The wire people were put on to make nails just to keep them employed. Therefore the wages were a little higher.

Mr. Mather.—Those wages are higher than those for nail making only.

Mr. Capadia.—Yes.

Mr. Mathias.—Perhaps in July you transferred some men from the wire department to the nail department.

Mr. Capadia.—We never do that. Before doing that, we employ extra men.

Mr. Mathias.—In June the wages were Rs. 2,800 and in July Rs. 2,053, but the tonnage was practically the same.

Mr. Capadia.—That was the month when we employed more men.

Mr. Mathias.—The outturn is practically the same, 116 tons in July and 120 tons in June. But the wages charges vary very considerably to the extent of Rs. 750, about 26 to 27 per cent. decrease in July. Then again in May when you turned out 135 tons, your charges were only Rs. 2,017, so that it seems to me the more you turn out, the less your total charges are. I do not follow the cause of the variations. Can you give me any sort of explanation for that? Your tonnage in May was 135, in June 120 and in July 116 tons, whereas in May your wages were Rs. 2,017, in June when you had a slightly lower tonnage your wages increased to a little over Rs. 2,800, and in July when your tonnage remained constant, they decreased again to Rs. 2,053. There does not seem to be any particular reason for that.

Dr. Matthai.—In June did you make smaller gauges?

Mr. Capadia.—The production suffers a little during the hot months and at that time there was particularly excessive heat reported.

Mr. Mather.—You don't give us the weight of the gauges. Supposing you had to make 200 tons of nails a month on one shift taking the average distribution of small nails and big ones and if you had no men transferred to the nail department from the wire department, what do you think your labour expenditure would be?

Mr. Derbyshire.—I have got to get the figures from the Sub-Attendant. He may want more men and he may not want. He knows more about the nails than I do.

President.—You are only connected with the wire department.

Mr. Derbyshire.—Yes. Office work is new to me.

President.—You just have general supervision over the nail making.

Mr. Derbyshire.—Yes.

Mr. Mathias.—There is no difficulty about getting additional men.

Mr. Derbyshire.—No.

Mr. Mathias.—The process is so simple that any one can do the work.

Mr. Derbyshire.—Men have got to be trained to do that work. We train one or two helpers. One skilled man in charge of a machine. The result is we have to employ one or two helpers.

Price of nails.

President.—We are in the same difficulty with regard to the price of nails. You refer to Mr. Ganguli's letter of 26th June. Where is that?

Mr. Capadia.—Here it is. (Handed in.)

President.—These are local prices.

Mr. Capadia.—They are Calcutta c.i.f. prices.

President.—These seem to be bazar prices. They include duty.

Mr. Capadia.—Yes.

President.—Then they are not c.i.f. import price.

Mr. Capadia.—It is import price including duty and landing charges.

Mr. Mather.—There is no difference in price between 4" and 6" nails.

Mr. Capadia.—If assorted sizes of nails are required, an average price is generally charged; if all big sizes are exclusively wanted a higher price would be obtained.

President.—4 to 14 gauge of wire Rs. 8-12-0 to Rs. 9 per cwt.

Mr. Capadia.—We have to sell at a price which is competitive.

President.—These are the prices at which you sell him and to other people.

Mr. Capadia.—Yes.

President.—The price that you got in July, 1926, is Rs. 220 per ton.

Mr. Capadia.—In the estimate for 200 tons of nails we have taken the price at Rs. 10-8-0 per cwt. because that has been the ruling import price.

Mr. Mather.—It looks as though you succeeded in getting that price.

Mr. Capadia.—We have some local sales for which we get better prices owing to the special sizes demanded and also due to the saving in freight from Calcutta to Tatanagar and it is this rate which increases our average selling price for the other sales effected.

Mr. Mathias.—In January, 1926 the c.i.f. price of wire nails 1"—6" at Bombay you give as £11-12-6, i.e., Rs. 155. If you add Rs. 60 duty to that plus about Rs. 7 for landing you get somewhere about Rs. 220 to Rs. 222.

Mr. Capadia.—In some cases when there is a demand for a particular size, it commands a better price but generally it is about Rs. 10-8-0 per cwt. In some cases it may be Rs. 11-4-0 or Rs. 11-8-0. As we said, at present, the difference between wire and wire nails of about Rs. 2 a cwt. on an average has been maintained. The price of wire is about Rs. 9 and the price of nails is about Rs. 11 per cwt.

Mr. Mathias.—That is usually the market difference in India.

Mr. Capadia.—Generally the cost of nails is higher by Rs. 2. Even in the invoice we have put in, the difference is noticeable.

Dr. Matthai.—The difference is Rs. 37 between wire and nails.

Mr. Capadia.—Yes.

President.—The difference according to these figures would be Rs. 55 a ton.

Mr. Capadia.—Yes, but when we increase our production, we can bring it down to Rs. 40. Considering our present limited production, there is not much difference.

Mr. Mather.—You said that if you had a large scale production as they have on the Continent, then you would also get a smaller difference between the cost of wire and that of nails. You say that the cost can be brought down to Rs. 40.

Mr. Capadia.—It would not come much further down. However much the production is increased, there is an irreducible minimum. We have put down Rs. 55 and that is fair in our case for one shift working.

Mr. Mathias.—There is no prospect of getting below that.

Mr. Capadia.—We may get below Rs. 55 when we work 3 shifts.

Mr. Mathias.—Even if you increase your production.

Mr. Capadia.—There is a fair chance but we cannot say. We are trying to reduce these figures. We are in communication with the Forest Department for packing and so on.

Mr. Mather.—I suppose that imported wire nails are imported in kegs similar to those which you pack yours in.

Mr. Derbyshire.—Yes.

Mr. Capadia.—Towards the Punjab side, they want in card board boxes instead of in kegs.

Mr. Mather.—Where do you get the card board from?

Mr. Capadia.—From Calcutta.

Mr. Mather.—Do you make your own boxes?

Mr. Capadia.—We get ready made boxes in Calcutta.

Mr. Mather.—Do you make your own packing, kegs?

Mr. Derbyshire.—We have a contractor who does locally at the rate of one rupee a keg.

Mr. Mather.—You don't think that you are likely to get your kegs cheaper.

Mr. Capadia.—We are in touch with the Forest Departments and we are trying experiments. We might be able but so far we have not succeeded; we tried imported kegs which cost us Rs. 1-4-0 per keg.

Mr. Mather.—It must be a wooden box.

Mr. Capadia.—Yes. They want packing to be similar to the imported style of packing.

Mr. Mather.—Can't you get steel kegs and steel drums?

Mr. Derbyshire.—The cost of steel kegs is pretty high.

Mr. Mathias.—You get no allowance on these kegs at all.

Mr. Derbyshire.—No.

Dr. Matthai.—Could you say, since you appeared before us last year, what the variations have been in respect of the items entering into your costs? Take for example the price of imported rod. Last year when you came here in October, you told us that the price of imported Continental rod at the time was Rs. 96. This time, the price according to your statement is Rs. 87. There is a difference of about Rs. 9 to your advantage.

Mr. Capadia.—That advantage was only for a short time. Up to July we paid £7, i.e., Rs. 94. We purchased last consignments at £6-10s. and £6-11s., i.e., at Rs. 87. Since then the price of rods has continually been rising and will still rise on account of increase in freight. The last cable quotation was for £7-3s. which means Rs. 96.

Dr. Matthai.—Take the case of wire now. How does the present c.i.f. price of wire compare with the period covered by our report last year. Can you tell me the exact figure? You gave us Rs. 140 as the c.i.f. price of wire. Now as regards the period covered by your August statement, it is about Rs. 117. I find that as compared with September 1925 you have gained about Rs. 9 on your raw material and on your finished product you are on the wrong side as compared with September 1925 by about Rs. 25. Against that, take the railway freight. Last year the freight between Jamshedpur and Calcutta was Rs. 15 and now it is somewhere about Rs. 8 or Rs. 9.

Mr. Capadia.—It varies between rods and wire and nails.

Dr. Matthai.—Is there much difference?

Mr. Capadia.—The rate for finished products is 7 annas and 10 pies per cwt. if over 300 maunds.

Dr. Matthai.—At present, what is the freight on rod from Calcutta to Jamshedpur?

Mr. Capadia.—It is Rs. 7 per ton including siding charges.

Dr. Matthai.—The freight on wire from Jamshedpur to Calcutta?

Mr. Capadia. Over 300 mds. it is Rs. 0-7-10 per cwt. and under 300 mds. it is Rs. 0-10-8 per cwt., i.e., Rs. 10-13-0 per ton and Rs. 15-5-3 per ton respectively including siding charges. As regards the price of rod, the rod price has gone up.

Dr. Matthai.—Since when?

Mr. Capadia.—Since we last purchased. The price we paid for consignment received in November was £6-11-0 and we wanted to buy more but we could not get. The latest price is £7-3-0 and still there is a tendency for the price to go higher.

Dr. Matthai. This stock that you got from the Hume Pipe Company, was that all No. 5?

Mr. Derbyshire.—They were of different gauges.

Dr. Matthai.—Both thicker and thinner.

Mr. Derbyshire.—Yes, Nos. 7, 8, 10, etc.

Dr. Matthai.—So that the cost above metal was smaller.

Mr. Derbyshire.—The output was smaller.

Dr. Matthai.—The smaller the gauge is, the less is your cost above metal; is it not?

Mr. Derbyshire.—It depends on what sizes they are converted into.

Dr. Matthai.—Look at your statement No. 1, Columns January and February. Could you tell me what kind of wire rod you got from the Hume Pipe Company?

Mr. Derbyshire.—We got all that mixed up. Which particular sizes we utilised we could not say.

Dr. Matthai.—I thought that you said that they were all smaller gauges.

Mr. Derbyshire.—They were of varied sizes.

Mr. Mathias.—What is your total labour force now in the Wire Department?

Mr. Derbyshire.—74 in August including the clerical and other staff.

Mr. Mathias.—Are they all skilled men?

Mr. Derbyshire.—No.

Mr. Mathias.—With these 48 men, do you propose to work up to 300 tons a month? Is it not necessary to increase the labour force?

Mr. Derbyshire.—A few more operators will be necessary.

Mr. Mather.—Does that include nail men?

Mr. Derbyshire.—No.

Dr. Matthai.—How many men are there in the nail department?

Mr. Derbyshire.—56 men in all in August.

Dr. Matthai.—Do you manufacture any galvanized wire? You have got a galvanizing plant, have you not?

Mr. Derbyshire.—Yes, but we are not using that at present.

Dr. Matthai.—Have you been able to sell any wire to Government?

Mr. Derbyshire.—We have been selling to Government occasionally.

Dr. Matthai.—Did you sell any part of the output covered by these monthly statements to Government?

Mr. Derbyshire.—60 tons to Military grass farms.

Dr. Matthai.—Your cost on stores has come down considerably from January to July. Is part of this reduction due to any fall in the price of stores?

Mr. Capadia.—Yes, price of coal and other things.

Dr. Matthai.—Apart from coal, take chemicals, soaps and other things: has there been any reduction in the price of these?

Mr. Capadia.—Not considerable; in some cases it is more and in some cases it is less.

Dr. Matthai.—Take a thing like soap. Can you tell me whether there has been any fall in price since January, 1926?

Mr. Derbyshire.—None at all.

Mr. Capadia.—Ever since January the prices have been the same.

Dr. Matthai.—And the imported rod that you have used has always been No. 5?

Mr. Capadia.—Yes.

Dr. Matthai.—You now keep a regular costing system, do you?

Mr. Capadia.—Yes.

Import of wire rods.

Mr. Mathias.—You referred this morning to your arrangements for wire rod. With what firms are these arrangements?

Mr. Capadia.—Messrs. Barlow and Company and Messrs. Beruck and Comens

Mr. Mathias.—And you have arranged with them that they will stock the rod and you can take it out in such quantities as you like and you pay on your bills 7 per cent interest.

Mr. Capadia.—Not on the bills but on the actual amount they have invested.

Mr. Mathias.—Have you any arrangement by which they will sell to you at a fixed price?

Mr. Capadia.—No. We first accept their quotation at the time of purchase. At that price they buy for us and bring them over here, pay the bill, port duty, landing, handling and keep them in their godown. Just as we want the rods in small quantities, say 200 or 300 tons, we are at liberty to take delivery of and pay for same.

Mr. Mathias.—Supposing they imported 500 tons at Rs. 100 a ton.

Mr. Capadia.—They won't import more than what we require.

Mr. Mathias.—Supposing you ordered for 1,000 tons at Rs. 100 a ton then you would be entitled to draw at Rs. 100 a ton until the whole stock is exhausted?

Mr. Capadia.—We would have to pay at Rs. 100 per ton *plus* duty, port dues, landing and handling charges incurred by them.

Mr. Mathias.—At the price when the consignment is ordered?

Mr. Capadia.—They send for cable quotations; if it is suitable to us we accept the price. We order, say, 500 or 1,000 tons for which we deposit at the rate of Rs. 5,000 for 300 tons.

Mr. Mathias.—Do you pay anything for warehousing over and above the interest?

Mr. Capadia.—Yes.

Mr. Mathias.—Have you got the terms in writing?

Mr. Capadia.—Yes.

Mr. Mathias.—Are there any other charges they make in this connection?

Mr. Capadia.—Yes, godown charges, interest, whatever charges they actually defray *plus* their commission which we presume will be included in the quotation that they give us.

Mr. Mathias.—Are there any other charges. Take for example chowkidari, handling charges and so on?

Mr. Capadia.—We expect we would have to pay them handling charges according to our present scale.

Mr. Mathias.—You have no arrangements then about the handling charges; it is left to their discretion?

Mr. Capadia.—It is a small item; they would charge us according to the usual rate obtaining for clearing goods.

Mr. Mathias.—I suppose you pay insurance rates too?

Mr. Capadia.—That is not mentioned but I believe it will be so.

Mr. Mathias.—Is this agreement drawn up in a regular document?

Mr. Capadia.—No, only mentioned in a series of letters.

Mr. Mathias.—Can you give us a copy of the correspondence?

Mr. Capadia.—Yes.

Mr. Mathias.—What arrangements have you about the supply of wood?

Mr. Capadia.—We have a local contractor who stocks the timber, and employs his own men and we pay him a fixed rate of Re. 1 per keg for nails.

Mr. Mathias.—You mean to say that each keg costs you Re. 1?

Mr. Capadia.—Yes, one cwt keg.

Mr. Mathias.—How did you come to this arrangement?

Mr. Capadia.—We asked for rates and fixed this up as the most economical arrangement.

Mr. Mathias.—Could you give us some idea as to the size of the kegs?

Mr. Capadia.—They are generally standard size 20" x 14" diameter.

President.—It is a small barrel, is it? That is interesting because in the cement enquiry we found that they could not make barrels in India.

Mr. Derbyshire.—This contractor makes these kegs in Calcutta out of wood from the forests as far as I am aware.

Mr. Mathias.—Could you investigate and let us know the reason why there is an increase in the wages and why there have been these variations from month to month. Could you make a note of it and let us know the reason?

Mr. Capadia.—Yes.

Dr. Matthai.—You give the Calcutta company interest of 7 per cent. per annum, handling charges and commission over and above that?

Mr. Capadia.—The quotation for rods that they would give us might include their buying commission.

Three shift working.

President.—We have tried to ascertain the cost on one shift basis; supposing we were to take the three shift basis would you be prepared to give us an estimate of the works costs?

Mr. Derbyshire.—We have not done it, but certainly it would not take three times more men than what we have on one shift.

President.—Would you like to give us an estimate by to-morrow on the maximum production you can get from the works on three shifts. We came to a figure of Rs. 37 on 300 tons basis instead of Rs. 45 you have given in your statement. You will work on the figure we have arrived at this morning.

Mr. Mather.—The simplest thing would be to tell us what your expenditure above metal would be if you worked three shifts on your July figures, as these are the latest figures that we have got.

Mr. Derbyshire.—We will do it for you.

Market.

President.—Where do you sell your wire and wire nails chiefly?

Mr. Capadia.—Nails we sell in Calcutta though we have recently had some demand from Punjab and other places, but the bulk of that we sell in Calcutta.

President.—At the ports you will be at some disadvantage compared with the foreign manufacturer, would you not; because you have got to pay freight from Tatanagar to the port? It may be very easy for you to dispose of, say, 200 tons of material a month in the Calcutta market but when your production comes to 700 or 800 tons a month it may be difficult. The total imports in Calcutta of wire, for instance, which would include special qualities in 1925-26 came to about 3,900 tons.

Mr. Capadia.—In Punjab they want different form of packing from what we have adopted and after that has been tried we would be able to dispose of a larger quantity there than in Calcutta.

President.—I was trying to ascertain where you would dispose of your output if you were producing 10,000 tons?

Mr. Capadia.—Calcutta, Delhi, Punjab and other places. These will be the principal centres.

President.—Bengal, Bombay and Karachi, these are the three places. Altogether the imports came to 3,900 tons in Bengal, 1,400 tons into Bombay and 400 tons into Karachi, or a total of 5,700 tons of wire in 1925-26. That would include all kinds of wire, some of which you would not manufacture.

Mr. Capadia.—It might be exclusive of Government orders.

President.—Government orders are not big.

Dr. Matthai.—It is only about 1,500 tons.

Mr. Capadia.—Import of wire nails in the previous year was much larger.

President.—That was an abnormal year.

Mr. Capadia.—These are the figures.

	Tons.
1921	9,445
1922	7,260
1923	12,810
1924	10,971
1925	16,238

The average of all these is 11,000 tons for five years for nails.

President.—That includes the ports of Madras, Karachi and Rangoon where you can not compete easily. I want to know how you would dispose of 10,000 tons.

Mr. Capadia.—That would include wire nails, ordinary wire and galvanised wire.

Galvanized wire.

President.—Have you got a complete galvanising plant?

Mr. Derbyshire.—Yes, we are waiting to start that. We have had plenty of enquiries.

Mr. Capadia.—We got numerous enquiries from postal people and others for galvanised wire.

Mr. Mather.—Why didn't you start it before?

Mr. Capadia.—We were busy with other things.

Mr. Mather.—Have you considered the cost of making galvanised wire?

Mr. Capadia.—Yes.

Mr. Mather.—Have you got an estimate?

Mr. Capadia.—Rs. 25,000 to Rs. 30,000.

Mr. Mather.—Have you estimated what it would actually cost you to make wire?

Mr. Capadia.—Yes. There is so much difference between galvanised wire and ordinary wire as to warrant us to make galvanised wire within that margin.

Mr. Mather.—You have considered the selling price of galvanised wire in the Indian market and you think that when you are in a position to finance the supply of spelter you could make galvanised wire with profit at the existing price.

Mr. Capadia.—I have some figures for galvanised wire (handed in).

President.—Galvanising, of course, you have not tried yet.

Mr. Capadia.—No.

President.—Even the steel company is finding it difficult to galvanise its sheets. There is something in that which requires some sort of expert knowledge.

Mr. Derbyshire.—Theirs is probably a more elaborate process. Ours is simpler.

President.—Is it a simpler process?

Mr. Derbyshire.—It is not simpler, but it is not so complicated as galvanising sheets.

Mr. Mather.—If this was, it would be reflected in the price of the imported material. The question is whether you can keep the consumption of spelter at the same level as the Continental manufacturer.

Mr. Derbyshire.—We hope to.

Mr. Mather.—From your present knowledge of the prices, you do think you will be able to make galvanised wire with profit.

Mr. Derbyshire.—Yes.

Mr. Mather.—If you were making a large quantity of wire, you could put the spelter on that, galvanise and sell at a profit at the ruling prices in India now.

Mr. Capadia.—All these calculations will depend on how we are able to work. We are just now taking only the rough basis, the difference between the ordinary wire and the galvanised wire.

Dr. Matthai.—What is the difference now?

Mr. Capadia.—Rs. 2, sometimes Rs. 3 or Rs. 3-8-0 or something like that.

Dr. Matthai.—Per cwt.

Mr. Capadia.—Yes.

Dr. Matthai.—What is supposed to be the capacity of your galvanising plant?

Mr. Derbyshire.—I can send you the figures later.

Dr. Matthai.—Have you got an estimated capacity?

Mr. Capadia.—We have in the original estimate scheduled output, but without referring to it, we could not say.

President.—The whole thing is limited by the output of plain wire. If you can manufacture only 10,000 tons of wire, say, in a year, out of that you will probably manufacture 4,000 or 5,000 tons of wire nails. Then there is the plain wire. So it seems that there is not very much scope for galvanising.

Mr. Capadia.—There is generally more demand for galvanised than for plain wire.

Mr. Derbyshire.—We can manufacture about 1,100 tons a month of which 450 tons would be issued to the nail department. Of the rest something may be put into the galvanising plant.

President.—You expect to sell most of that wire as galvanised wire and you can draw 1,100 tons a month with your existing plant.

Mr. Capadia.—Yes, with three shifts.

Mr. Derbyshire.—Of the 1,100 tons, 450 tons would be issued to the nail department.

President.—And the rest would be plain wire and galvanised.

Mr. Derbyshire.—Plain, annealed and galvanised.

Mr. Mathias.—You can make that just now at present prices.

Mr. Derbyshire.—It would be difficult to say just now as we have not calculated the 3 shift working.

Mr. Mathias.—I thought you just made a statement to Mr. Mather to that effect.

Mr. Capadia.—We have taken only the rough indication of the difference between the two. We have not worked out the data.

Mr. Derbyshire.—The figure of 5,000 tons—all kinds of wire—which were supplied to railways and the Indian Stores Department was all direct from London.

President.—They are included in these figures.

Mr. Derbyshire.—It seems rather low—this 7,000 tons for India.

Mr. Capadia.—I am inclined to think that the Government requirements are independent of these calculations.

Market.

Dr. Matthai.—Can you tell me whether these imports of wire from the United Kingdom are mostly of special wire?

Mr. Capadia.—High grade wire.

Dr. Matthai.—Not the sort that you make.

Mr. Capadia.—No.

Dr. Matthai.—If you take 1923-24 figures, the total import into the country other than fencing wire is given as 6,000 tons, out of which 1,400 tons come from the United Kingdom. As far as wire of the kind that you are making is concerned, the real market in India is somewhere about 5,000 tons, am I right? As regards the imports from the United Kingdom, most of them are of special quality wire. Therefore you are not interested in them, because you don't make them.

Mr. Capadia.—No. The competition that we have to meet comes chiefly from Belgium and Germany.

Dr. Matthai.—Practically half of that is imported into Bengal which is primarily your market so that on the present figures, as far as wire is concerned, it is roughly 2,500 tons. This is the market at which you can run under present conditions.

Mr. Capadia.—That is so as far as Calcutta is concerned, we can sell galvanised wire to Government, Railways and all other consumers in different places.

Dr. Matthai.—Then you take the wire nails. Take the year 1924-25 when you had 16,000 tons which was not reached in the next year. And from the trade returns out of that 16,000 tons, about 6,000 tons went to Rangoon. There was something very special in Rangoon which accounted for the very large increase in the imports.

Mr. Capadia.—We don't see why we should not compete in Rangoon after a time.

Dr. Matthai.—That is of course taking a long view.

Mr. Capadia.—We are not going to confine ourselves to Calcutta only.

Dr. Matthai.—Speaking for the moment you might rule that out. You are not going to reach Rangoon in the course of the next few years.

Mr. Capadia.—We might be able to do that.

Dr. Matthai.—If Calcutta is difficult enough for you in regard to the competition against imported nails, Rangoon must be worse. If you take nails, the import into Calcutta of nails is somewhere about 3,700 tons. Practically all the rest out of the 16,000 tons are imported into other parts of India, so that as a practical proposition at present your market would be somewhere about 5,000 to 6,000 tons.

Mr. Capadia.—For nails?

Dr. Matthai.—For nails and wire put together. Supposing you are able to develop 3 shifts and make 10,000 tons of nails and wire, the question of market is not very easy to solve.

Mr. Capadia.—If we can sell 5,000 to 6,000 tons in Calcutta we ought to be able easily to sell about 4,000 tons more in other parts of India.

Mr. Matthias.—How many shifts would it be to produce 6,000 tons? Can you do it under 2 shifts?

Mr. Derbyshire.—About 2 shifts or a shift and a half or something like that. The 2nd shift may not work for the full length of time. It may work for a few hours.

Mr. Mathias.—It would not be economical to have a half shift.

Mr. Derbyshire.—Sometimes the nail machines are worked like that. The man may be paid for 4 hours on the 8-hour basis.

Mr. Mathias.—Your arrangement is such that you can pay him off for half a shift.

Mr. Capadia.—Yes. If we are not able to prepare these figures by tomorrow, would you permit us to send them from Bombay? The time available is far too short.

Mr. Mather.—Have you ever considered the question of working on a three shift system?

Mr. Capadia.—Yes, but the papers are in Bombay.

Working Capital required for three shift working.

President.—If we were to take 10,000 tons production, the working capital required would be Rs. 5 to Rs. 6 lakhs on 4 months' turnover.

Mr. Capadia.—Somewhere about that.

President.—In that case I should like to have better evidence than you have given that capital would be forthcoming.

Mr. Capadia.—I have told you about the prospects.

President.—We cannot go on prospects.

Mr. Capadia.—There is every chance of our obtaining further finance necessary for increasing our production.

President.—You are not raising any capital. You are increasing your liabilities. You have not brought in any new capital to the business.

Mr. Capadia.—The financial arrangements will be quite satisfactory for the purposes of our business.

President.—It is simply this that you have raised this capital by mortgaging all your property which is not bringing in fresh capital. The position just now is simply this that the industry is being really run for the benefit of the debenture holders.

Mr. Capadia.—We will secure sufficient working capital, which is all that is needed. Many, if not, most of the industrial concerns at present have a debenture charge and the loan thus raised is generally always utilized as working capital for expanding business.

President.—They are not entirely financed by debentures as is the case in this industry.

Mr. Capadia.—Nor is it so in our case; we have our working capital besides.

President.—There is no industry we have protected which is financed entirely by debentures or mortgage. That doesn't appear to me to be very sound business.

Mr. Capadia.—It would not be correct to presume that we are being financed entirely by debenture loan; we have our working capital and other resources in addition.

President.—I am trying to point out to you that there is no capital invested in the industry except this debenture capital and your working capital is also raised more or less in the same way, that is to say, on a mortgage of the assets. And that is a feature of the business which does not appear to me to be very satisfactory. Does it not strike you so?

Mr. Capadia.—We have built up a new industry in India, imparted the necessary technical training, created a demand for our products in face of severe competition and hence I submit this is the proper time when we deserve to be backed up by protection in the interests of the country.

President.—Whatever profits you may make would go to the debenture holders.

Mr. Capadia.—Not necessarily. There is bound to be surplus left for distribution to the share-holders with the help of protection.

President.—The measure of protection must be calculated on the invested capital in the business. We cannot give you a rate of profit which would enable you not only to pay the debenture interest but to pay off the debentures and leave you a big margin.

Mr. Capadia.—I mean that the capital which we have reduced to one-fourth of its original value still remains as the sub-stratum. We have of course reduced the share capital from Rs. 100 to Rs. 25 per share which still remains as our capital.

President.—The whole of that has been mortgaged.

Mr. Capadia.—If it is properly run according to our expectations, we are sure to pay off the debenture loan and the reduced share capital will remain as at present. On that assumption we have based these figures and have applied for protection.

President.—You have not been able to show me that. If you think that you have done so, you are mistaken.

Mr. Capadia.—If the industry was standing on its own legs, if it was in that happy position, there would have been no need to ask for protection.

President.—What is invested now is simply the debenture money. It is difficult for an industry to be protected merely for the benefit of the debenture holders.

Mr. Capadia.—The original share-holders are still there whose interests ought also to be safeguarded in order to restore the investors' confidence and to draw fresh capital in India for industrial undertakings.

President.—Your assets have been valued at Rs. 11 lakhs which includes your other plant. Rs. 11 lakhs is the value of the assets on which there is a mortgage of Rs. 7 lakhs.

Mr. Capadia.—According to Mr. Burkinshaw's valuation, we have written down our share capital.

President.—That share capital is mortgaged to the debenture holders.

Mr. Mathias.—The whole of your real value has been pledged to your creditors.

Mr. Derbyshire.—What we want is financial assistance. We are sure we can make profit provided we had the raw material.

President.—Where is the money for that?

Mr. Mathias.—Owing to financial difficulties you find it difficult to carry on the business.

Mr. Capadia.—Our arrangements with the Imperial Bank for cash credit as well as with the importing firms for the supply of rods would enable us to do justice to 3 shift working.

Dr. Matthai.—How long ago did you start the negotiations with the Imperial Bank? How long ago did you place your proposal before the Bank?

Mr. Capadia.—About two months ago.

Dr. Matthai.—For two months, it has been under correspondence.

Mr. Capadia.—All the details have been settled by this time. The delay is now only due to the Imperial Bank desiring a slight change in the letter from the Director of Industries re: priority of charge to the Bank.

Dr. Matthai.—How long ago did they want to change the terms of that letter?

Mr. Capadia.—It was only last week when I left Bombay. By this time I expect that it might have gone through.

Mr. Mathias.—Would you make enquiries while you are in Calcutta whether that has gone through or not?

Mr. Capadia.—I will certainly make enquiries and let you know.

President.—I would strongly advise you to reconsider your position from that point of view. It is very important that if the industry is to be protected, it should be put on a sound basis.

Mr. Capadia.—That is our ambition. If we get the protection which we want, we have the necessary funds to carry on.

President.—You want protection in order to raise your working capital.

Mr. Capadia.—It is not on the strength of protection that our financial arrangement is going to be settled. It is as good as having been fixed up.

President.—That does not strengthen your case, does it?

Mr. Capadia.—At the same time, it does not shatter our case so completely. If we can show that we can achieve what we anticipate on one shift, we will be able to advance according to the project in view to 3 shift working. Unless the industry shows stability up to a certain stage, it cannot advance. In fact, that is the business situation in every place.

Dr. Matthai.—That is a different matter. You asked for protection and Government gave you protection for three years. During the whole of that period there was not full production even on one shift. You have not done your part at all.

Mr. Capadia.—We submit that you should look at our case in a rather liberal sportive way. We have not been on our legs hitherto. Conditions adverse to us prevailed all along. We have gone over all the obstacles now. We have gathered knowledge and experience and this is the proper stage when we deserve protection. We will put forward our best endeavours and we have every reason to hope that, with the Board's support, we will be able to get through. We have created the demand. We have regulated the quality, quantity and every other factor which will contribute to the successful building up of the business.

President.—I have pointed out to you my difficulty.

Dr. Matthai.—Supposing your present scheme falls through, what do you expect us to do?

Mr. Capadia.—So far as I am concerned, I am perfectly certain that it would not. As I said, there are other bankers. As long as we have assets, there will be no difficulty for finding finance. Of course without assets, if we are going in the market for a loan, that is a different thing.

President.—You estimate that Government would require about six to eight thousand tons a year.

Mr. Capadia.—More than that. There is nothing authentic but unofficially we have gathered their requirements from the Chief Controller of Stores, the Telegraph Department, etc.

Dr. Matthai.—But the imports do not bear that out. Your suggestion is for the current year you have heard from various non-official sources that Government are going to place orders in this country for about 7,000 tons of wire and nails.

Mr. Capadia.—Yes. You can also see that from the enquiry we had from the Chief Controller of Stores for about 1,520 tons of galvanized wire.

President.—You are not producing galvanized wire now.

Mr. Capadia.—Assuming that we work two or three shifts, one of our objects is to start the galvanizing plant.

President.—As far as this particular enquiry is concerned, you are not producing galvanized wire to supply the Stores Department.

Mr. Capadia.—We think that if we come to an arrangement with the Bank as regards the extra finance we have applied for, we will start operating our galvanizing plant and producing galvanized wire.

President. Is your galvanizing plant ready to be started?

Mr. Capadia.—Yes.

President.—Do you think that they will place this order with you and wait till you produce?

Mr. Capadia.—They have distributed it over one year.

President.—Let us assume that Government will place this order with you for about 1,500 tons. Where is the balance to come from?

Mr. Capadia.—There is another order for 350 tons.

Dr. Matthai.—Is that also a Government order?

Mr. Capadia.—Yes. There is another enquiry from Karachi for 200 tons. I may say here that almost 99 per cent. of the enquiries have resulted in their placing orders with us. When we say that we are in a position to supply, they give us the order.

President.—So far they have given you orders which would amount to 2,000 tons.

Mr. Capadia.—Yes.

Dr. Matthai.—As regards your statement that Government's requirements are about 6,000 to 8,000 tons for the whole of India, that is a much higher estimate than the Government orders we have seen in the trade figures. My impression is that the market is less than 2,000 tons.

Mr. Capadia.—Once we start going with one department, viz., the Indian Stores Department, there is no reason why they should not place orders with us for the whole of India.

President.—Yes, if they have orders to place. The question is whether the Government requirements amount to so much as that.

Mr. Capadia.—Besides Government requirements we have the Bengal market and the other markets for galvanized wire.

Dr. Matthai.—The point is this. Assuming that during the present year there is going to be an exceptional demand for wire from Government or other public bodies, we cannot take that into account. We have to go on the average of the past four or five years which indicates the normal Government demand. In that case going on the trade figures it would be very difficult for you to make out a case.

Mr. Capadia.—What we submit is that we do not restrict ourselves to Bengal. So far, we have done business for the whole of India—Delhi, Central Provinces, United Provinces and the Punjab. Our Punjab agent who is also

the Tata's agent is very hopeful of selling our galvanized wire and nails all over that part of the country. He has been doing so at good rates too.

Dr. Matthai.—The United Provinces and the Punjab do not form a considerable market.

Mr. Capadia.—They do according to our agent's report. The only impediment in the way is that he wants a different form of packing from the standard packing which we had so far adopted.

Dr. Matthai.—If you leave out Bengal, the next biggest markets are Bombay and Burma. You don't suggest that Bombay and Burma are areas in which you can reasonably expect to compete with the imported wire and nails in view of freight disadvantage. Even Mr. Alexander found it difficult to accept them as accessible markets for him.

Mr. Capadia.—If you take the total imports including Government imports, it would come to about 20,000 tons.

President.—Government stores were—

	Tons.
In 1922-23	1,100
„ 1923-24	800
„ 1924-25	1,500
„ 1925-26	1,800

Mr. Capadia.—Possibly the galvanized wire might have been classified separately.

Mr. Derbyshire.—Then we have the different railways.

President.—Those have been included in the Trade Returns. Do you submit that you would be able to secure a market corresponding to the whole of the imported wire and nails?

Mr. Capadia.—Not the whole but the bulk of the imports gradually.

President.—But you have already had difficulties in disposing of the whole of your output.

Mr. Capadia.—That was because other obstacles were in the way: either we did not adopt the form of packing which was wanted or we were not able to supply the kinds and sizes wanted. Now our sales are brisker and better.

President.—You believe that you will be able to displace imported articles in such distant places as Bombay, Karachi and Rangoon.

Mr. Capadia.—Yes: in fact our selling agents in those places report that they have been able to do that to the extent of their present sales which will improve in course of time.

President.—How much are they selling at present?

Mr. Capadia.—They have been selling good lots—20 tons, 25 tons, and so on.

President.—You propose to jump up from a production of something under 3,000 tons to a production of 12,000 tons—nearly four times as much.

Mr. Capadia.—We will not do that all at once. We will go on doing two shifts and if we find that we can sell all our output, then we will start working three shifts.

President.—What I am asking you is whether it is reasonable to suppose that within a year or say even two or three years you will be able to push up your sales to the extent of 12,000 tons a year.

Mr. Capadia.—That is our belief. We think that the country's imports are about 20,000 tons and on that basis we think we should be able to sell all our output.

President.—The Trade Returns show that the country's imports are only 14,000 tons and not 20,000 tons excluding Government stores. If you add Government stores, it would come to 16,000 tons.

Mr. Capadia.—Even if you take the imports at 16,000 tons, half of it would come to 8,000 tons. That we would be able to do surely and particularly so, as our quality is good and we regulate our prices according to the import prices.

President.—Are you relying on the reports of your selling agents?

Mr. Capadia.—Yes.

President.—They are Tata's selling agents.

Mr. Capadia.—One of our agents is also their agent. We have several other agents and we have also made our own independent enquiries in the bazar and other quarters.

Dr. Matthai.—Take a place like Rangoon. What is the landed price in Rangoon?

Mr. Capadia.—I can't tell you off hand.

President.—Take Karachi.

Mr. Capadia.—The selling price there is between Rs. 12-8 and Rs. 13 per cwt.

Dr. Matthai.—What exactly is the water charge? How many annas per thousand gallons?

Mr. Capadia.—5 annas 3 pies per thousand gallons.

President.—Take this statement that you have given us for savings, supposing you went on to two shifts, would there be any saving? If the output goes up by say 100 per cent. these charges would go up 50 per cent. more, would it not?

Mr. Capadia.—If the production went up from 450 to 700 tons, the charges for water, electric power, etc., would go up in the first case say to Rs. 5,000 and in the second to about Rs. 7,500.

Dr. Matthai.—What is the freight from Jamshedpur to Karachi?

Mr. Capadia.—Rs. 2-4-0 a cwt.

Dr. Matthai.—Is it likely that with a handicap of Rs. 2-4-0 you will be able to sell at Karachi?

Mr. Capadia.—I think we will be able to sell because Government accepts our price.

Dr. Matthai.—What is the best market in the Punjab? Would Amritsar be a sort of typical market for wire and nails?

Mr. Capadia.—Delhi may be a better market than Amritsar.

Dr. Matthai.—Can you give me the freight?

Mr. Capadia.—I do not know exactly at present.

President.—Taking the question of sale at Karachi the current rate of imported wire is Rs. 9, is it not?

Mr. Capadia.—Last year it was about Rs. 10-8-0. At different times of the year it varies.

President.—We are not considering whether you are able to sell 200 tons at Karachi but whether you would be able to sell continually at Karachi. If you take the price of imported wire at Rs. 9 cwt. at Karachi during the year—that is about right according to your evidence last time—that means that you would have to sell your stuff to compete with the imported material at somewhere near Rs. 7?

Mr. Capadia.—That is so.

President.—That would not be a sound proposition, would it?

Mr. Capadia.—The market price in Calcutta at the present day is Rs. 9-12-0 per cwt., though we are able to sell at Rs. 10-8-0.

President.—There are many factors which might account for this trade connection, shortage of supply, difference in gauge and so on. What I am trying to point out to you is that although you say you can reasonably expect

that you would be able to secure practically the whole of the market which is supplied at present by the imported wire, you cannot possibly capture the very distant markets. You have heard Tata's representative this morning explaining that as one of the reasons why he considered it was impossible to dispose of even 12,000 tons in the year. You attribute no weight to this consideration?

Mr. Capadia.—That is hard bright wire but if it is converted into galvanized wire we may have no difficulty in selling it. We get enquiries for galvanized practically every day but we cannot supply. Here is a recent telegram dated 27th April from Government "Wire if you can guarantee to supply 700 tons . . ."

President.—That is merely an enquiry.

Mr. Capadia.—That is out of 250 which we have actually booked. They want 700 by November and asked whether we could guarantee delivery by that time.

Dr. Matthai.—It is all a question of price?

Mr. Capadia.—Yes.

President.—What are you supplying these 350 tons at?

Mr. Capadia.—At Rs. 10-4-0 *ex-works*.

President.—Mr. Ganguli was telling us yesterday that your main market for bright wire was the Hume Pipe Company.

Mr. Capadia.—They have been buying in small lots of 5, 10 or 25 tons, since they re-started.

Mr. Derbyshire.—They have not got any standing order with us. We supplied only three tons last week. It may be six months before we can get any orders from them.

President.—I want to know what sort of monthly orders you will get from the Hume Pipe Company and whether you can rely on getting any definite orders. Can you give us an annual estimate? How much would you supply to the Hume Pipe Company?

Mr. Derbyshire.—If they buy their full requirements from us it would be a fairly big quantity per year.

Mr. Capadia.—Mr. Ganguli has been in the line for years and from his experience he can say that he can sell about 5,000 to 6,000 tons of galvanized wire in the Calcutta market. We have had letters from our different agents showing their confidence as to what they could do in different places.

President.—With reference to your present output how much do you sell in Calcutta?

Mr. Capadia.—100 tons a month I should say.

President.—As regards costs is this average cost of various gauges of wire?

Mr. Capadia.—Taking from the middle size wire, that is 12 gauge.

President.—In reply to a question put to you by Mr. Mather you said at the last examination that we might take your cost as representing 8 gauge wire. Is that correct?

Mr. Derbyshire.—12 gauge I should say.

Dr. Matthai.—Is that what you sell in large quantities: the bulk of your wire is 12 gauge?

Mr. Derbyshire.—Yes.

President.—What size of nails do you sell mostly?

Mr. Derbyshire.—That depends on the market; now we were selling the largest size, a month ago we were selling smaller sizes.

President.—On the average for the whole year which kind of nails has the biggest demand?

Mr. Derbyshire.—3 in. to 6 in.

President.—Mr. Ganguli informed us that 1½ inch to 2 inches were the nails for which there was the biggest demand.

Mr. Derbyshire.—Mr. Ganguli is at present calling for 3 to 6 inches I think.

President.—I am talking of the average demand for the whole of India.

Mr. Derbyshire.—I should say 3 to 6 inches.

President.—You produce mostly 3 to 6 inches?

Mr. Derbyshire.—Yes.

President.—What gauge of wire do you use to produce 3" to 6"?

Mr. Derbyshire.—10, 9, 8, 6 gauges.

President.—What is the present price of imported wire of these gauges?

Mr. Derbyshire.—I could not tell you off-hand.

President.—It is a matter of some importance. In comparing the price of wire and price of nails we should compare like to like. For that purpose I would like to know what the price of different gauges is in Calcutta.

Mr. Derbyshire.—I understand that there is no difference in price between 10 gauge and 16 gauge in Calcutta.

President.—But your nails are made out of larger gauges than that, are they not? Take 8 gauge wire; what nails do you produce out of that?

Mr. Derbyshire.—3" and 4".

President.—The price of 8 gauge wire at present is about £7-10. Is that correct?

Mr. Derbyshire.—They don't charge you for canvas.

President.—You told us last time that bright wire with canvas was £8-17 and deducting 10 shillings for canvas it came to £8-7. How does that compare with 3" nails which are made out of 8 gauge wire?

Mr. Derbyshire.—We have taken Rs. 10-8-0 to Rs. 11 for nails.

President.—What is the present quotation for 8 gauge wire?

Mr. Derbyshire.—Rs. 9-8-0.

President.—There is a difference of a rupee.

Mr. Derbyshire.—The last price we sold 8 gauge wire at was Rs. 10-8-0.

President.—And the nails you say fetched Rs. 10-8-0 too?

Mr. Derbyshire.—Yes. Rs. 10-8-0 to Rs. 11.

Dr. Matthoi.—Generally with regard to price and so on you get information from your agents in Calcutta?

Mr. Capadia.—We rely on our agents for such information. We have two or three agents from whom we enquire these rates and we also take them from trade publications.

Labour charges.

President.—When you gave evidence last time there was some confusion over the labour charges on wire and in reply to a question you said that although in the statement some of the labour charges were shown as charged to nails, in your accounts they were charged to wire.

Mr. Derbyshire.—The increase in wages was due to the fact that we were contemplating two shifts and we engaged extra men to be trained for the work.

President.—What you told us then was that owing to reduction in the production of wire in August and September you did not employ your men on wire because there was no work for them?

Mr. Derbyshire.—Yes, and we turned the men on to nails.

President.—Now you say although in this statement you show these men as charged to nails yet in your accounts you have charged these to wire.

Mr. Derbyshire.—There was a stoppage of the wire plant and we switched the men on to nails.

President.—I was wondering whether these statements which you have put up are the same as your cost sheets. Are these statements that you have put in actual copies of your cost sheets?

Dr. Matthai.—It is only when people want annealed wire that you do the annealing.

Mr. Derbyshire.—Yes.

Dr. Matthai.—In this case of 3 shifts which you sent in, annealing is not included in it.

Mr. Derbyshire.—That is right.

President.—Could you give us copies of the cost sheets for July, 1926? Are these exact copies?

Mr. Derbyshire.—Yes.

Dr. Matthai.—You have no further details than these.

Mr. Derbyshire.—No.

Dr. Matthai.—What is your biggest production for any month since last September?

Mr. Derbyshire.—350 tons.

Dr. Matthai.—When did you reach that?

Mr. Derbyshire.—Last month. The average is now 14 to 15 tons per shift—90 tons a week.

Dr. Matthai.—So that you worked your wire drawing plant fully for one shift.

Mr. Derbyshire.—Yes.

President.—In this 3 shift estimate you have taken wire rod at Rs. 110 a ton. That is on the low side. With the 10 per cent. duty I estimated the cost of rods would be Rs. 103. Then you have freight charges. I took the c.i.f. price for rods as £7: Is that the price at present?

Mr. Derbyshire.—Yes.

President.—That would come to Rs. 103 per ton landed with duty. You have to add Rs. 8 railway freight which comes to Rs. 116.

Mr. Derbyshire.—Yes.

Fuel charges.

President.—Coal and coke you charge Rs. 8 a ton. Is that the market price?

Mr. Derbyshire.—Yes.

President.—It appears to be high.

Mr. Derbyshire.—We have got to pay more for our coke than for coal.

President.—Even so it does seem rather high.

Mr. Derbyshire.—Yes, we have to pay twice for coke as we pay for coal.

President.—What did you pay for your coke?

Mr. Derbyshire.—Rs. 9-8-0 per ton.

President.—Where did you get it from?

Mr. Derbyshire.—From the Bengal coalfields. The coal is only about Rs. 4.

President.—You only use 203 tons so that the margin of reduction there is not very much. How much coal do you use in proportion to your coke?

Mr. Derbyshire.—3 to 4 times as much coal as coke.

President.—If your coal is only Rs. 4 and coke Rs. 9-8-0 the average should be below Rs. 8.

Mr. Derbyshire.—This is what we have taken from the actual figures.

Dr. Matthai.—Can you tell us what is the price of coke delivered at your factory now?

Mr. Derbyshire.—Rs. 9-4-0.

Dr. Matthai.—What is the price of coal delivered at your factory now?

Mr. Derbyshire.—Rs. 5-12-0 to Rs. 6.

Dr. Matthai.—You use coal and coke in the proportion of 3 to 1, do you?

Mr. Derbyshire.—Yes.

Dr. Matthai.—Surely the average can't be Rs. 8. It must be under Rs. 7.

Packing charges.

President.—Your packing and incidental charges seem to be very high. That may be, because you are selling a good deal of nails—450 tons of nails.

Mr. Derbyshire.—Yes, the packing charge is very high on that.

President.—With reference to the question of kegs we asked Mr. Ganguli yesterday about it and he informed us that he was charging you As. 14-6.

Mr. Derbyshire.—Mr. Ganguli charges us Re. 1 per keg.

President.—It cost him As. 14-6 to supply you with kegs including the railway freight and the cost was As. 11-6 at Calcutta. Would it not be possible for you to make some local arrangements by which you could manufacture them.

Mr. Debryshire.—We have tried to manufacture kegs, but the manufacture of kegs is confined to a certain community, I believe. You cannot get any Hindu to make them. It is cheaper for Mr. Ganguli to make kegs at Calcutta than to make them at Jamshedpur. At Jamshedpur the cost of living is very high and we have to pay a higher rate of wages than he has to pay in Calcutta.

Interest and overhead charges.

President.—As regards this item of interest and overhead charges. Rs. 8,000, does that include profit or not?

Mr. Capadia.—It includes profit, but I am not quite sure of it.

Replacement cost.

President.—You have heard the examination this morning on the subject of the cost of replacement of plant and buildings. Mr. Ganguli's estimate is Rs. 2,73,000 for 250 tons a month.

Mr. Capadia.—We cannot verify whether they are correct figures or not. In our case also we have reduced the capital and reduced our block value proportionately.

President.—What I was asking you was whether this estimate of capital cost for producing 250 tons a month is a fair basis on which we shall estimate the cost of erecting a plant and building at the present time.

Mr. Capadia.—I could not say.

Dr. Matthai.—What is your block account? How does it stand now? Mr. Burkinshaw's valuation is about Rs. 11 lakhs.

Mr. Capadia.—That is including the shelving plant.

Dr. Matthai.—Excluding the shelving plant, what would be the total block value? The original value of that was about Rs. 5 lakhs. If you reduced it in the same proportion as the rest of the plant, it would come to roughly two lakhs.

Mr. Capadia.—If we send you our last balance sheet that would show you everything.

Dr. Matthai.—You might send us a copy.

Mr. Capadia.—Yes.

Dr. Matthai.—You said in reply to the President that in calculating the interest and overhead charges, you included also profit.

Mr. Capadia.—That is my recollection, but I should like to verify it.

Dr. Matthai.—I should like to know at what rate you calculated your profit and on what capital.

Mr. Capadia.—Yes.

President.—So far as I can ascertain from the estimate of these three shift working costs which you have put before us, the nett effect is a reduction under the heads, fuel, water, electricity, labour, overhead charges and an increase in the incidental charges, is that correct?

Mr. Capadia.—Yes.

President.—Until of course we get the bright wire and nails separated we cannot really compare with your previous costs and say how much reduction there is under each head. From the statement it appears that there is a reduction.

Mr. Capadia.—Yes, we will supply you with a statement separating the bright wire and nails.

Calcutta factory.

President.—In Mr. Ganguli's statement here he claims certain advantages for a factory situated in Calcutta over a factory situated in Jamshedpur. First of all take the case of packing. He claims that he will be able to do it at As. 11-6 instead of at Re. 1. Then there is the transportation cost which according to your one shift estimate is 2,500.

Mr. Capadia.—Yes, for packing.

President.—That is for transportation. You don't give separately your transportation cost in your July cost.

Mr. Derbyshire.—From Calcutta to Tatanagar it is As. 7-10 per cwt. We have a concession for 300 maunds and over.

President.—That would come to about Rs. 2,500 on a production of 250 tons a month. Against that his transportation charges will be only 750, so he has a definite saving there. On water supply and Board of Works he claims that your charges are very high. On three shift working it would be—Rs. 24,000 per year Board of Works Rs. 9,600—and water Rs. 14,400.

President.—On one shift working, it would not be less than Rs. 8,000.

Mr. Capadia.—The land which he would occupy would be much dearer than the land which we got leased to us.

President.—The rent is Rs. 350 a month.

Mr. Capadia.—We pay about Rs. 125.

President.—You gain in respect of rent about Rs. 225 a month but as against power and water he claims that he would save about Rs. 5,000 a year. Then about electricity?

Mr. Capadia.—I think that the Calcutta Electric Supply Corporation's rate is higher.

Dr. Matthai.—What is the Corporation's rate?

Mr. Ganguli.—9 pies per unit.

President.—Then, there is not very much in electricity.

Mr. Capadia.—No.

Packing charges.

President.—I think I asked you about the canvas, with which the imported wire is wrapped. The value of the canvas is about 10 shillings, I think.

Mr. Capadia.—Yes.

Dr. Matthai.—You charge about four annas a cwt. of wire for the gunny which you wrap your wire with from Jamshedpur to Calcutta.

Mr. Derbyshire.—Yes.

Dr. Matthai.—That is equal to Rs. 5 per ton.

Mr. Derbyshire.—Yes.

Dr. Matthai.—The value of the canvas would be about Rs. 7-8-0 per ton.

Mr. Derbyshire.—Yes.

Dr. Matthai.—The imported wire would bear about Rs. 7-8-0 as against your Rs. 5.

Mr. Derbyshire.—Yes.

President.—In that respect you have a slight advantage over the imported article.

Mr. Derbyshire.—Yes, but only a certain proportion of our wire products is gunny wrapped.

President.—Can you give us the proportion?

Mr. Derbyshire.—Only hard bright wire is gunny wrapped, and the annealed wire is not.

President.—You are mostly producing hard bright wire.

Mr. Derbyshire.—Yes, but most of it is annealed.

President.—How much of the stock you have now is hard bright wire?

Mr. Derbyshire.—About 200 tons. We are going to draw smaller gauges of wire from that.

President.—Is not that a rather unprofitable business?

Mr. Derbyshire.—Yes, it is.

President.—Why do you produce so much hard bright wire?

Mr. Derbyshire.—The wire mill gets ahead of the nail machines. One shift on the wire machine will keep the nail machines busy for three shifts.

President.—Are you having only one shift working on the nail machines?

Mr. Derbyshire.—Yes, for the last two or three months.

President.—In a month if you are working one shift you can produce about 350 tons of wire approximately.

Mr. Derbyshire.—Yes.

President.—If you work your nail machines also one shift during the same period, what weight of nails could you produce?

Mr. Derbyshire.—150 tons.

President.—Therefore supposing you wanted to utilise all the wire that you could produce on your present plant, you would need about three times your present nail capacity.

Mr. Derbyshire.—Yes.

President.—You are working your nail machines only one shift.

Mr. Derbyshire.—Yes.

President.—And you are producing more wire than you are using for nails.

Mr. Derbyshire.—Yes.

President.—Why don't you work two shifts? Why do you work only one shift?

Mr. Derbyshire.—It is not advisable to work more than one shift on the nail machines.

President.—How many machines have you?

Mr. Derbyshire.—15.

President.—Of these how many are fit to work three shifts?

Mr. Derbyshire.—In my opinion they are all capable of working three shifts.

President.—The point I want to know is this. Your Superintendent says that all the nail machines are capable of working three shifts. That being so and as you are producing more wire than you can use, why don't you turn the wire into nails? What is the reason for your not running the nail machines three shifts a day? There must be some reason for that.

Mr. Derbyshire.—If we turned all the wire into nails, we would not be able to dispose of them all. We would have a large quantity of nails on hand. We would have to carry stocks of either nails or wire.

President.—Do you say that if you work more than one shift on your nail machines you would not be able to get rid of your nails at present?

Mr. Derbyshire.—Yes.

President.—That does not show that there is a hopeful prospect for your working three shifts, does it?

Mr. Derbyshire.—But the market is coming along. We are getting better enquiries.

President.—These are merely hopes but the actual facts are that the market does not justify more than one shift working for nails and that your capacity for hard bright wire is much greater than you can sell in the market; but your hopes lie in the supply of annealed wire.

Mr. Derbyshire.—Yes, and galvanized wire.

President.—You are not producing galvanized wire yet.

Mr. Derbyshire.—That is so.

President.—Annealed wire you can produce but you have to redraw.

Mr. Derbyshire.—Not in every case.

President.—At least in some cases.

Mr. Derbyshire.—Yes.

Mr. Capadia.—We have not advertised our products very much. We have not written to consuming departments that we are prepared to supply them. Now that we are producing more, we are getting more enquiries which we hope to carry out. What we have done in the past should not be the criterion for what we can do in the future. For some reason or other we were not working as we ought to have been either because of financial or other difficulties. Now our past two or three months' record will show that our sales are very much better and whatever we have produced we were able to sell.

President.—I don't say that in the future you won't be able to sell. But my point is that at present there is not much demand for nails. It is quite evident.

Dr. Matthai.—At the time you bought all your machinery, did you ever make enquiries about German machinery?

Mr. Capadia.—No.

Dr. Matthai.—Why didn't you?

Mr. Capadia.—We were prevented from doing so by war restrictions. At that time we had no occasion to do so. Messrs. Perin and Marshall were our consulting engineers.

Dr. Matthai.—Did you make enquiries in England?

Mr. Capadia.—Yes. We also enquired about the Belgian machinery.

Dr. Matthai.—Did you enquire about Belgian machinery?

Mr. Capadia.—Yes.

Dr. Matthai.—Was that not cheaper?

Mr. Capadia.—No. The engineer reported that it would not work well and in consultation with the European engineer he came to the conclusion that the machinery that we bought was about the best to buy at the time.

XVIII · Pioneer Wire Nail Manufacturing Company.

Representation dated the 16th August 1926.

In continuation of my letter No. 171 of the 13th May 1926, I beg to renew my application for a higher protective duty on wire nail than on wire as follows:—

The ground on which the equality of protection was based has disappeared. Imported wire nails do not, it has been found, sell at about the same price as imported wire. There is as a matter of fact, an appreciable difference between their prices.

An assumed parity between their prices justified the equality of protection, the proven difference calls for a discrimination therein.

Wire nail, even when associated with wire, does therefore deserve higher protection. For even then, it costs more and association is incapable of recouping the extra cost of converting wire into nail.

This extra cost is Rs. 40 per ton, against which there is the difference of only Rs. 20 at the most in their prices. So on the face of it there is the need for a higher duty of Rs. 20 per ton at the least. But more as to quantity later.

Then, I claim that the inadequate difference between the prices of imported wire and wire nail : due entirely to dumping and wire nail is therefore entitled to protection on the ground of unfair competition?

The Board doubt, not that the rebate system is in full operation, but that whether any rebate is at all paid on the purchase price of wire to be made into nails for export. Because in the list in the iron and coal trades review it is not included.

But, the list included only, the rebates paid by the steel ingot syndicate. There are other syndicates as well, the wire rod syndicate which pays rebate to wire manufacturers and the wire syndicate which in its turn pays rebates to the manufacturers of various wire goods (nails, rivets, bolts, screws, etc.) All these rebates were not included in the list because they do not come within the purview of the steel ingot syndicate.

The extent to which wire nails are subsidised is thus uncertain. But on all accounts it is certain that the rebate increases with the degree of finish of the article. If the Board are certain that the rebate on wire rod is 17·5 marks they cannot be less certain that the rebate on wire must be higher than that. The difference was 5 Marks sometime ago and it follows the rebate on wire is near about 22·5 Marks.

According to the Board the rebate on wire rod means a reduction in the cost of production of wire by Rs. 13. In the same way the rebate on wire reduces the cost of production of nails by Rs. 16 per ton.

There is then the difference of Rs. 20 per ton in the prices of imported wire and wire nail. The two together amounting to Rs. 36 make up the cost of conversion of wire into nails.

So but for the rebate the difference in prices would not have been as low as at present and wire nail is therefore entitled to protection on the ground of unfair competition.

The Board raise the question in this connection that the difference between the rebates does not cover the extra cost of conversion. Because, I submit, this is not necessary to achieve the purpose.

The question for consideration is not whether the difference covers fully the extra cost but whether or not the rebate adequately accounts for the.

anomalously low difference between the prices. That it reduces the cost by Rs. 16 there is no way to challenge. The balance of the cost is made up by the actual difference in prices of Rs. 20 per ton. That is all we are concerned with for the purposes.

The debate in each case is only proportional to the degree of finish. In no case does it entirely cover the entire cost of making the more highly finished from the next lower in finish. This will appear from the list of rebates referred to above.

Next comes the question of compensatory protection.

The by-product theory might have lent some justification for not considering the question. The theory exploded the claim becomes imperative.

Then for the conditions laid down by the Fiscal Commission:—

First.—The Board have found “The only advantage India possesses is cheap labour.” They found before:—

- (i) “The power required is small and obtained cheaply and in sufficient quantity.”
- (ii) “Its home market is considerable and within its reach.”
- (iii) “The industry is suited to the industrial conditions of India.”

I know not how to reconcile the two.

The use of Indian Steel would have strengthened the case no doubt, but this is not possible at present nor an essential condition for protection. It is open to the Board to “recommend protection on the basis of using imported materials.”

Second.—“The difference between the prices of imported wire and wire nail is too low to cover the cost of conversion.” The industry cannot therefore develop without protection.

Third.—The findings of your Board are:—

- “European costs are lower than Indian,”
- “To hold its own, it must be possible to make nails cheaply,”
- “the difference in prices is only Rs. 20 per ton,”
- “the Indian cost is Rs. 40 per ton,”
- “the gap is wide,”

“and the third condition is not satisfied.”

The European costs, as shewn above, cannot be less than Rs. 36 against the Indian cost of Rs. 40. The gulf is therefore not so very wide.

And there is room for reduction of the Indian costs. “There might be some economy in overhead charges.” Your Board say, “if the number of machines are larger.” I have all the arrangements as I said in evidence including spare power and accommodation, for as many more machines as I have. These additional machines, as I also said would require only one more unskilled labourer. So that there would be saving in wages. Then economy under the head “packing cases” which “is the biggest item of expenditure” is inevitable if I arrange to make them instead of buying as at present.

So the gulf is not altogether incapable of being bridged over and but for the German rebate the industry is sure to survive protection.

The Board argue “Rebate is not a temporary cause but a permanent one.”

I submit the artificial export policy of Germany cannot continue for all time. There has already been legislation against it. As a counterprise against it moreover all the other nations are fast rearing up high tariff walls. The United States of America has imposed tariffs on articles to which rebates

are granted in Germany. Great Britain has had recourse to anti-dumping measures like the safeguarding of Industries Act which embraces wire nails as well.

Protection is the only effective means of at once countervailing and putting an end to the German export policy which ultimately would render the policy futile and it will die a natural death. When protection has achieved this desired end it will be required no longer.

Now I have to answer some other points raised by the Board.

The most important of them is that if protection is granted to wire nail as a separate industry the Jamshedpur factory could not survive on account of two-fold rail freight on raw materials and the finished product.

So, rob Peter to pay Paul!

The Indian Steel Wire Products Limited deliberately established themselves at Jamshedpur in order to secure the special privilege of having the raw material on the spot, and quite aware that they would have to rail freight on the finished product. If circumstances should change should the retribution fall over the heads of innocent beings who had no hand over the situation. In fairness the Board should have as much solicitude for them as for their formidable compeer at Jamshedpur.

From the particular the Board rise up to general: "The existence of such factories would make it more difficult to establish the manufacture of nails from Indian steel when the time for the development arrives. The industry would have grown up on unsound basis."

The time for manufacturing nails from Indian steel would arrive only when the Tatas can without undue sacrifice supply the wire rod. How would then the obnoxious wire nail factories stand in the way? The Wire Company would then be in the same position with the nail factories as regards the raw material and in a better as regards cost of production on account of vaunted association and of mass production. The only disadvantage would be the rail freight on finished nails the biggest market for which is Calcutta. This is of their own choice. Yet the Bihar Government have taken upon themselves to have it minimised. Still better gag the nail factories for no fault of theirs.

On the other hand, a higher duty on wire nails would benefit the Wire Company as much as the nail factories. The more so because they have arranged for production of more of nails and less of wire. It would enable them to sell wire at a price which would admit of its being profitably converted into wire nails. So they would have some benefit from the nail factories who would form a market for their wire, which is at present very limited. The nail factories themselves would then be enabled to use Indian materials. So the existence of the nail factories would further than hamper the establishment of the manufactures of nails from Indian wire and so far the wire nail industry would grow upon sound basis.

There is besides, the question of employment and scope for acquiring technical skill.

Together, wire and wire nail cannot give employment to more than 600 to 800 men for their entire requirements at present. It is immaterial if this 800 men work under the same or different roofs. Only 800 in lump makes up a decent figure.

As for technical skill wire nail requires enough of it to require the "getting out of an expert whose speciality is nail making."

The Board make much of the automatic nature of the industry in this respect. But these authorities agree that "Industrial skill and ability are getting every day to depend more and more on the broad faculties of judgment, promptness, resource, carefulness and steadiness of purpose rather than on manual dexterity and acquaintance with especial processes." Again, "Every

difficulties in the accuracy and versatility of automatic machinery narrows the range of natural work in which command over hand and eye is at a high premium." Further "the more delicate the machine's power the greater is the judgment and carefulness which is called for from those we see after it."

It may not also be amiss to mention here that this very feature of the industry was considered by the Board before to be a natural advantage. The same feature of the Hammel Wire Industry was also looked upon with favour. So it all depends on the attitude taken up.

But I need go no further for these considerations cannot altogether disqualify for protection.

It is now time to consider the amount of protection required.

This must be based on the actual difference in the prices of imported wire and wire nail. If it is only Rs. 20 the amount of protection need not go beyond that. But more often than not it is less and owing to the fluctuation in the German rebate it reaches sometimes almost the vanishing point. So, taken on the whole the protection must be fixed at Rs. 30 per ton.

As for form of protection, I prefer bounty and rebate of duty on wire to either of them. Duty imposes additional burden on the country, bounty leaves it uncertain whether the protection would be adequate while rebate in duty exactly counterbalances the protective duty on wire.

In conclusion, to sum up what I have said:—

I. In association with wire.

Wire nail was originally accorded the same protection as wire because:—

- (i) Separate cost of its production was not available.
- (ii) The cost was assumed to be so small as to be recovered by utilizing inferior wire.
- (iii) The prices of imported wire and wire nail were assumed to be about the same.

It now appears:—

- (i) The extra cost is Rs. 40 per ton.
- (ii) The volume of nail production is so large that only a fraction thereof can be made from inferior wire.
- (iii) The price of nail is higher than that of wire.

It inevitably follows nails require higher protection.

II. As a separate industry.

1. The system of export rebate is now in full operation. That on wire is Rs. 16 and reduces the cost of production to that extent. There is also a difference of Rs. 20 in prices. The two together make up the cost of production. So wire nail is entitled to protection on the ground of unfair competition.

2. The by-product theory exploded wire nail is entitled to compensatory protection.

3. Examined in the light of the conditions laid down by the Fiscal Commission it appears the industry possesses natural advantages with regard to labour, power, home market. It affords opening to small capitalist and its technical processes are simple. Its intrinsic importance is very great and will do its bit for natural defence.

The inability of the industry to develop without protection is due entirely to German export rebate. There is legislation against the rebate system and high tariffs in other countries would soon render it futile when it will die a natural death. The industry can then stand alone.

XIX.—The Tata Iron and Steel Company Limited.

A.—WRITTEN.

(1) *Letter dated 13th January 1927.*

I am enclosing herewith copy of a letter, dated 30th December 1926, addressed by our Bombay Office to Messrs. Lalubhai Walchand Capadia and Company, Agents, The Indian Steel Wire Products, Ltd.

Copy of letter, dated 30th December 1926, from Tata Sons, Ltd., Agents, The Tata Iron and Steel Company, Limited, to Messrs. Lalubhai Walchand Capadia and Company, Agents, The Indian Steel Wire Products, Limited.

With reference to your Mr. Capadia's recent negotiations with us for a loan against the security of the liquid stocks of the Indian Steel Wire Products Limited and the further conversations that we have had with him, we write to enquire whether you would be prepared to consider the question of handing over the Company to the Steel Company and, if so, on what terms and conditions. Our idea would be to reconstruct the Company so as to place it ultimately on a paying basis either with protection when we are in a position to supply the necessary raw material or without this if the Company can be made to pay independently of protection. In order to enable our Directors to examine the question, if you are at all prepared to consider a proposal of this nature we shall be obliged if you will kindly send us a copy of your latest Balance Sheet and Profit and Loss statement together with statements of costs. The Tariff Board have asked us to give evidence on the question of the protection of wire and nails on the 11th of January and our General Manager will give evidence on the subject. As the Tariff Board, we understand, are also considering the question of the future of the Company, we shall be obliged if you will let us have an early reply to this letter.

(2) SUPPLEMENTARY STATEMENT No. 1.

Copy of the telegram dated the 27th April 1927, from the Tata Iron and Steel Company, Limited, to Mr. C. A. Alexander, the Tata Iron and Steel Company, Limited, Jamshedpur.

(76 your letter 1150 of nineteenth and telegram m/110 of twenty-seventh regarding wire products stop referring item one of Tariff Board letter please see Gupta's letter to Peterson of eleventh We have telegraphed him to-day as follows:—Your letter 11th and telegram 26th regarding wireforms our Board agree that it is necessary bring about sale of properties by debenture trustees stop They think new company should be formed who would purchase plant, etc., and they are prepared to arrange for this and to manage same stop Steel Company prepared to contribute their share in finance for new Company in proportion to debentures held by them on condition that Government and other debenture holders also contribute proportionately—message ends) on the other items mentioned in Tariff Board letter we approve your views.

(3) SUPPLEMENTARY STATEMENT No. 2.

Estimated by the Tata Iron and Steel Company of the savings which could be effected if the wire factory at Jamshedpur were to be taken over and run by that Company.

	Present Cost.	Total Approx.	Saving	H. B. wire.	Wire Nails.
	Rs.	Rs.	Rs.	Rs.	Rs.
Black Oxide, etc.	3,400	2,000	1,400*	1,100	..
Electric power	1,350	1,200	250	100	20
Water	800	600	200	200	..
Rent of buildings	225	100	885	225	110
Land rent and Road of Works.	800	600	200	181	60
Selling expenses	1,270	500	770 ²	100	670
Welfare	230	130	100	70	30
Interest on loan	5,000	5,000	..	..	..
Sulphuric Acid	2,400	800	1,600	1,600	..
Lubricating Oil, Fuel, cotton waste and Sawdust.	1,202	768	432	235	184
Total	16,693	11,693	5,000	3,811	1,134

* (a) 1,870 Rs. 1 per ton saving on H. B. wire.

(b) 3,130 Rs. 7-18 " " " " " "

Rs. 5,000 saving.

H. B. wire 151 tons Rs. 8-8-0 per ton or Rs. 0-7-0 per cwt.

Rs. A. P.

Wire Nails 400 tons " " " " " " 8 8 0

+ 2 14 0

11 6 0 per ton

or

0 9 0 per cwt.

Production 400 tons wire nails.

,, 50 ,, annealed wire.

Wire machines working one shift.

Present nail machines working three shifts.

Wire Rods C. I. F. Calcutta.	Price at Works.	Selling prices-- Wire nails Rs. 220 per ton. Annealed wire Rs. 208-12 per ton.	Profit per month.	If Tatas take over profit per month.
£ s. d.	Rs. A. P.	Rs.	Rs.	Rs.
6 0 0	102 0 0	..	15,659	20,659
6 5 0	105 5 0	..	14,122	19,122
6 10 0	108 10 0	..	12,585	17,585
6 15 0	111 15 0	..	11,048	16,048
7 0 0	115 5 0	...	9,511	14,511
7 5 0	118 10 0	..	7,974	12,974
7 10 0	122 0 0	...	6,437	11,437
7 15 0	125 5 0	...	4,900	9,900
8 0 0	128 10 0	...	3,363	8,363
Comparative figures based on				
7 6 0	117 8 0	...	8,467	13,467

Rods C. I. F. Calcutta.	Price at Works.	Cost of H. B. wire 1 shift production 451 tons.	Cost of wire nails present machines working 3 shifts production 400 tons.	Annealed wire production 50 tons.
£ s. d.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
6 0 0	102 0 0	148 13 0	187 9 0	151 2 0
6 5 0	105 5 0	152 3 0	191 2 0	157 8 0
6 10 0	108 10 0	155 9 0	194 8 0	160 14 0
6 15 0	111 15 0	158 15 0	197 14 0	161 4 0
7 0 0	115 5 0	162 5 0	201 4 0	167 10 0
7 5 0	118 10 0	165 11 0	204 10 0	171 0 0
7 10 0	122 0 0	169 1 0	208 0 0	174 6 0
7 15 0	125 5 0	172 7 0	211 6 0	177 12 0
8 0 0	128 10 0	175 13 0	214 12 0	181 2 0
Comparative costs as submitted based on				
7 6 0	117 8 0	164 11 0	208 11 0	170 0 0

(4) SUPPLEMENTARY STATEMENT No. 3.

Estimates framed by the Tata Iron and Steel Company.

Rods C.I.F. Calcutta.	Price at Works.	Cost of H. B. Wire working two shifts. Production 803 tons.	Cost of wire nails 3 shifts with present and 12 new machines. Production 700 tons.	Cost of annealed wire. 100 tons.
£ s. d.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
6 0 0	102 0 0	138 1 0	176 0 0	143 7 0
6 5 0	105 5 0	141 7 0	179 6 0	146 13 0
6 10 0	108 10 0	144 13 0	182 12 0	150 3 0
6 15 0	111 15 0	148 3 0	186 2 0	153 9 0
7 0 0	115 5 0	151 9 0	189 8 0	156 15 0
7 5 0	118 10 0	154 15 0	192 14 0	160 5 0
7 10 0	122 0 0	158 5 0	196 4 0	163 11 0
7 15 0	125 5 0	161 11 0	199 10 0	167 1 0
8 0 0	128 10 0	165 1 0	203 0 0	170 7 0

Wire machines working two shifts.

Production 700 tons wire nails.

Nail machines working three shifts
with additional 12 new machines.

„ 100 „ annealed wire.

Wire rods c.i.f. Calcutta.	Price at works.	Selling prices—wire nails Rs. 220 per ton, annealed wire Rs. 208 12 per ton.	Profit per month.
£ s. d.	Rs. A. P.	Rs.	Rs.
6 0 0	102 0 0	...	37,849
6 5 0	105 5 0	...	35,110
6 10 0	108 10 0	..	32,371
6 15 0	111 15 0	...	29,632
7 0 0	115 5 0	...	26,893
7 5 0	118 10 0	...	24,154
7 10 0	122 0 0	...	21,415
7 15 0	125 5 0	...	18,676
8 0 0	128 10 0	.	15,937

THE TATA IRON AND STEEL COMPANY, LIMITED.

B.—Oral.

Evidence of Mr. C. A. ALEXANDER, representing the Tata Iron and Steel Company, Limited, recorded in Calcutta on Tuesday, the 11th January, 1927.

(Messrs. K. B. N. CAPADIA and M. T. DERBYSHIRE of Indian Steel Wire Products, Limited, were also present.)

Introductory.

President.—Mr. Capadia, has the Statement that we asked for yesterday been prepared?

Mr. Capadia.—We are sorry that it is not yet ready. We will submit it as soon as I go to Bombay.

President.—I may tell you that if you don't expedite it, there is the risk of our report not being submitted in time for action to be taken by the Government of India during the present session.

Mr. Capadia.—We will send it early.

President.—We want some time to consider it. I have warned you sufficiently about the consequences of delaying the submission of your statement. You may do as you like at your own risk.

The supply of Wire Rod by the Steel Company.

President.—Mr. Alexander, there are one or two points of a general nature about which I should like to examine you. I don't wish to go into any historical discussion as to what took place in the past but I should like to know what your views are as regards what actually was intended to be done at the time. I can tell you frankly that when this industry was first dealt with by us, I distinctly understood that the Steel Company was going to manufacture wire rod and I don't attach any importance to the form in which your letter was written. It simply said "we cannot guarantee to supply your Company with steel rods before the middle of 1924." I didn't read those words to mean that you were never going to supply wire rods but what I understood was that you would not be able to supply them with rods before the middle of 1924 but thereafter you would be able to do so. I wish to know whether that is not a right interpretation to put upon those words—without imputing to you improper motives I could not possibly construe those words to mean that you never intended to manufacture wire rods.

Mr. Alexander.—I think Mr. Chew's evidence dealt with that point.

President.—I did not question him on that point. What I wish to know is whether as a member of the Board I was justified in understanding that sometime after the middle of 1924 you would be in a position to supply wire rods, apart from what words you used actually.

Mr. Alexander.—I think that that was the Company's intention at that time.

President.—If you take that view I have nothing much to say. It is obvious that a big company like yours would not use ambiguous language in order to keep a loophole of that kind.

Mr. Alexander.—Certainly not.

President.—Then, the other question that arises is, whether the Steel Company should be asked to manufacture wire rod now or in the near future. What is the position exactly now as regards the manufacture of wire rod?

Mr. Alexander.—That will be a question of negotiation between the two companies. The matter has not been referred to me. The discussions must have taken place in Bombay; I know nothing about the matter.

Manufacture of wire and wire nails by a separate company.

President.—There are two ways in which we can look at this question, the first on the assumption that wire and wire nails were manufactured by a separate company from materials supplied by you, say, after three years and in the meanwhile from foreign material; and secondly, that it would be more in the national interest if it were run by a steel manufacturing company itself—either yourselves or a new company that might be started in the near future. I think it would be necessary in either case for us to try and estimate as best as we can the price at which you might be able to supply wire rod when you begin to manufacture. Now you cannot give any estimate that can be accurate because you have got no mill to start with, but would it be right to say that whatever estimate we might have made about your bars as regards future production may reasonably be used for the supply of wire rod? Would that be generally speaking a good standard to apply?

Mr. Alexander.—I do not think so. In the particular mill we have in mind the tonnage will be lower and the cost would undoubtedly be higher.

President.—So far as wire rod is concerned, because of the speed it may not cost you very much more, but as regards your other products on the same mill it might be different. But we are not going into that just now; what I am suggesting to you is that so far as wire rod is concerned it is a very rapid process and you may not have to run the mill for more than a day a month.

Mr. Alexander.—We do not propose to build one of those high speed rod mills which are used in western countries for producing wire rod. It would be much too expensive and the tonnage required would not warrant it.

President.—Do you think it would be much more expensive if you worked, say, a day a month?

Mr. Alexander.—We could not get the required tonnage out in one day. They make their rod on high production mills which roll nothing but rods. Our mill is a combination mill with classified products—hoops, strips and small rounds below 2".

President.—What would be the capacity of your mill?

Mr. Alexander.—We can design it to produce 30,000 tons a year or 100,000 tons a year; it depends on how much money we put into it, taking into consideration the products that we can sell. We have to find out what tonnage of cotton ties, jute ties, strips, etc. We can sell and then design our mill accordingly.

President.—As I said, you cannot give me an exact figure and we must have some figures if we are to go into this question.

Mr. Mather.—The matter is of some substantial consequence because, as you know, the basis of any protective scheme is that there should be some reasonable prospect in the not too distant future of the industry being able to stand without protection. As you have told us, the imported wire rod, and also the rods from which imported wire is made are rolled on special high-production mills which keep the cost down very substantially. If you in India are going to roll rod on mills with less production, then, unless you can show that the cost of your rod is going to be somewhere near the cost of the imported rod, there would seem to be a permanent handicap to the Indian wire industry and it would be very difficult to establish any case that the wire industry would be able to do without protection.

Mr. Alexander.—What it comes to is that we would have to manufacture rod at a cost equal to or less than the price of imported rod; in other words our cost could be as much above the European cost as the freight is from Europe to India.

Dr. Matthai.—There is no general market in the country for wire rod, that is to say if you make wire rod in your new mill, it would be entirely for the wire and wire nail industry. And, therefore, whether you would be able to roll wire rod economically or not would depend upon the demand that you have from the Wire Company. The extent to which they would be able to develop their business is really the determining factor.

Mr. Alexander.—That is so.

Mr. Mathias.—You have no particular production in mind?

Mr. Alexander.—In our preliminary calculations we are assuming that we will be round 40,000 tons a year of all products. We have not attempted to split it up into various products.

Dr. Matthai.—This hoop and strip mill is primarily intended for the materials required for agricultural implements, is it not?

Mr. Alexander.—What we intend to do is to take all sections under 3" from the merchant mill and roll them on this new mill, and in addition we will roll strips and hoops and wire rods. It is to be specially used for rolling small sections.

President.—There are factors in favour of wire rod manufacture at Jamshedpur. I mean the works costs may not be very much higher, and they would save the freight and the landing and other charges from Calcutta to Jamshedpur.

Mr. Alexander.—We would have to beat the import price without any duty.

President.—You have an advantage over other products because the foreign article will have to be taken to Jamshedpur and that would add another Rs. 9 for freight and Rs. 6 for landing charges, that is Rs. 15 and of course in your case even supposing there is a 10 per cent. duty—you would not be paying that 10 per cent. duty—that would add another Rs. 10. You have already a margin of Rs. 25 comparing the two prices *plus* the freight from Europe and landing charges as I have pointed out. Therefore unless your cost is Rs. 40 or so higher you ought to be able to produce wire rod within the limits.

Mr. Alexander.—Yes.

President.—You ought to be able to tell us whether within those limits your wire rods will be more expensive, your costs should not be more Rs. 40 higher assuming that the duty of 10 per cent. is retained?

Mr. Alexander.—Without making any estimate, I think we should be able to produce at a price less than Rs. 40 higher than the f.o.b. price. I think it could be produced at Rs. 35.

President.—We now understand that the present price is Rs. 117 landed at Tatanagar probably as a minimum, so that there is a margin. Up to that point really speaking there is no substantial difference between the use of continental material and yours after you have put up the mill.

Dr. Matthai.—That is to say you anticipate being able to produce approximately at that level on an output of say, 3,000 tons. Supposing that the demand you have got from the Steel Wire Company did not exceed, say, 3,000 to 4,000 tons per year—assuming that they were doing only one shift—do you anticipate approximately that you would be able to manufacture wire rod on your new mill at that price, say, at about Rs. 117.

Mr. Alexander.—I should say so.

Mr. Mather.—Even on a very small production?

Mr. Alexander.—That 3,000 tons will come in with the manufacture of other products.

Dr. Matthai.—You think if the demand for wire rod was no more than 3,000 to 4,000 tons you would be able, on the total work that you do on this new mill, to get this done at that price?

Mr. Alexander.—I should think so, though I can't say what the cost of rolling hoops and strips will be.

President.—At present the Steel Wire Products, Limited have put in their application on the basis of one shift. We will have to consider whether that is a good proposition at all and when the machinery is capable of turning out 3 times the quantity, whether there would be any justification for anybody making only one-third that quantity. We shall have to work on these lines taking the present price of foreign materials and the probable estimate of your own costs.

Mr. Alexander.—Yes.

Manufacture of wire and wire nails by the Steel Company.

President.—The other question is whether it would be better in the national interest that this manufacture should be carried on separately or whether it should be carried on in connection with the steel works. I take it if you were to manufacture wire and wire rod, you would work up to the maximum output of which the equipment is capable. In this case it is said to be between 10,000 and 12,000 tons a year.

Mr. Alexander.—About 1,000 tons a month.

President.—Yes.

Mr. Alexander.—I don't know what the capacity of the plant is. If it is going to pay at all, it can pay only by getting the maximum output possible.

President.—In any case you would work three shifts if it became a question of manufacturing wire or wire nails on an economic basis.

Mr. Alexander.—According to my understanding—I don't know whether I am right or wrong—I think that nail machines are not run 24 hours a day.

President.—You can run your wire machine.

Mr. Alexander.—Yes.

President.—You can use more automatic machines for nails to convert all the wire into nails in one shift.

Mr. Alexander.—Quite.

President.—So far as the wire manufacture is concerned, there would be no objection to running 3 shifts. As regards nails it is only a question of putting more machines, so that you have only one shift for nails. That would be a way of running it.

Mr. Alexander.—Yes.

President.—Assuming that you were running this as part of your works, then your overhead, profit and other charges would have gone into your accounts up to the wire rod stage. That would include your freight and other things on wire rod if you were selling rods in the country. Instead of rods you would be selling wire and wire products.

Mr. Alexander.—Yes.

President.—Your interest on capital up to that stage would have gone into the cost, so that the additional capital that you would require would be much small, that is to say, it would only be required to cover the cost of wire rod locked up whilst it was being converted into wire and wire nails?

Mr. Alexander.—Yes.

President.—As regards the management also, your Head Office and other charges would have already gone into the wire rod and this necessarily would not add very much expenditure to your works.

Mr. Alexander.—It could be considered as part of the steel works.

President.—The only addition that would be required would be, really speaking, depreciation on the plant and equipment for the manufacture of wire and some little profit on that additional capital.

Mr. Alexander.—Yes.

President.—That would be of course distributed over the whole output whatever it is. It is not like your duplex or some other very difficult department where the question of training is done on a larger scale. If you are able to work up one shift there will be no great difficulty in your working three shifts, is that right?

Mr. Alexander.—I should say so.

President.—Provided you had all the materials, there should be no difficulty.

Mr. Alexander.—The additional staff could be trained in a few months time.

President.—I am just asking you this question as an expert. Yesterday we arrived at a figure on the July costs for the cost above metal somewhere about Rs. 31 if one shift only were worked.

Mr. Alexander.—To convert rod into what?

President.—Into wire. The actual works cost in July for a production of 230 tons of wire was Rs. 38, but if the output was raised to 300 tons, it would come down to about Rs. 31. I wish to know, if the output was increased 3 times, whether there should not be a fair amount of reduction in the works cost.

Mr. Alexander.—I should say so from our experience in the steel plant.

President.—Of course there are certain things which would not diminish in the same proportion, but there should be a general reduction all round, I take it.

Mr. Alexander.—I should say so.

President.—I wish that you had seen these costs so that you could have expressed your opinion as an outside expert. I should have welcomed your opinion.

Mr. Alexander.—I have never seen and studied them.

Position between the two companies.

President.—Are you in a position to tell me whether any negotiations have taken place in connection with this between the Steel Company and the Steel Wire Products, Limited?

Mr. Alexander.—My information from Bombay is that a start has been made and the Steel Company has asked for a statement showing the financial position of the Wire Company. Whether that has been received or not, I cannot say.

President.—It is a matter of great importance, because this Company, it is in evidence, has difficulties in financing its working capital, and we should like to know whether there is any possibility of that position being improved.

Mr. Alexander.—I think it largely depends on the Wire Company. As I said, the Bombay office could not say anything until they see the financial position of the Wire Company.

President.—Can you tell me what the position of the Steel Company is? How far is it prepared to go?

Mr. Alexander.—I cannot answer for what the Board might do. Both Mr. Peterson and myself are prepared to recommend to the Board that if the Wire Company is agreeable and it can be arranged we will take over the managing agency and reconstruct so as to run it, using imported rods until such time as we can furnish our own rods.

Dr. Matthai.—What you point out is that you don't know yet for certain whether this particular proposal has been accepted by your Board or not.

Mr. Alexander.—It has not been put before the Board.

Mr. Mathias.—Not before 'Tatas' Board.

Mr. Alexander.—Before our Board.

Mr. Mather.—You say that overtures have been made.

Mr. Alexander.—Negotiations have taken place.

Mr. Mather.—Your Board has actually commenced negotiations.

Mr. Alexander.—The Agents have commenced negotiations.

Mr. Mathias.—You can give us no idea as to how long the negotiations would last?

Mr. Alexander.—That, I cannot answer.

President.—The Tariff Board has to satisfy itself on one point, whether manufacture is going to be carried on, on an economic scale and whether the applicants are in a position to finance the business in such a way that production is economic. I was hoping that by this time the position might have been a little clearer than it was before.

Mr. Alexander.—I don't think there has been sufficient time.

President.—It has been going on since October, 1926.

Mr. Alexander.—You mean the question of taking over the agency of the Steel Wire Products, Limited?

President.—I think I have pointed out more than once what my views are on this point. I think it would be right for the Steel Company under those conditions to do what it can to rectify the position.

Mr. Alexander.—The Steel Company is willing. It is only a question the Head Offices in Bombay getting together and trying to come to some arrangement.

Dr. Matthai.—Is the Company willing?

Mr. Alexander.—Yes. Willing to go into the question.

Dr. Matthai.—Are you suggesting that it is only a matter of formality? I should like to be clear about that. You started by saying that this particular proposal is really the expression of a personal opinion of Mr. Peterson and yourself. The matter has not been formally placed before the Board and there has not been any formal negotiation to your knowledge between your Board and the Steel Wire Company.

Mr. Alexander.—Nothing.

Dr. Matthai.—But you are thinking at present that if this matter were placed before the Board, it would be more or less a matter of routine.

Mr. Alexander.—Provided they agree.

Dr. Matthai.—As far as you are concerned, you are willing.

Mr. Mathias.—Subject to the terms being suitable to both parties?

Mr. Alexander.—Yes.

you would be prepared to consider the question of handing over the Company to the Steel Company and, if so, on what terms and conditions. Our idea would be to reconstruct the Company so as to place it ultimately on a paying basis either with protection when we are in a position to supply the necessary raw material or without this if the Company can be made to pay independently of protection. In order to enable our Directors to examine the question, if you are at all prepared to consider a proposal of this nature we shall be obliged if you will kindly send us a copy of your latest Balance Sheet and Profit and Loss statement together with statements of costs. The Tariff Board have asked us to give evidence on the question of the protection of wire and nails on the 11th of January and our General Manager will give evidence on the subject. As the Tariff Board, we understood, are also considering the question of the future of the Company, we shall be obliged if you will let us have an early reply to this letter." That was written on the 30th of December 1926 and no reply has been received up to the 6th of January, 1927.

President.—I am not discussing whatever points may be raised as between yourselves and Indian Steel Wire Products, Limited, but what I wish to point out is that there is this debenture mortgage. There are two classes of debenture owners. The first is the Government of Bihar and Orissa, the second are chiefly creditors who converted their unsecured into secured debts. The latter class would be more or less under your control. As regards the Government of Bihar and Orissa, if the mortgage according to their valuation is fairly well secured, either you pay off the mortgage and step into their shoes yourselves or come to some arrangement with the Government of Bihar and Orissa. Your liability in that respect is not a serious one.

Mr. Alexander.—No.

President.—The only other liability of course is that they may have some subsequent debt—I do not know—either secured or unsecured.

Mr. Alexander.—I know Mr. Peterson is quite ready to go into the whole subject once he hears from the Wire Company.

Financial position of the Wire Company.

President.—Then, there is the question of reconstruction which might mean that you would have to put in additional capital in order to equip the plant better. But I should not imagine that the Steel Company would find it beyond its resources to do that. If there is any reasonable prospect of the matter being put through, we should be prepared to consider it. We have not made up our mind; obviously we cannot. Supposing we came to the conclusion that the Company had made out a case for protection but that needed better finance, we could not make a sort of hypothetical recommendation.

Mr. Alexander.—No.

President.—If we are satisfied that the question of finance is all right, we may be in a position to make some proposals. The trouble is that the Steel Industry Act expires on the 31st of March, 1927. That being so, if no decision was arrived at, it might create difficulties.

Mr. Alexander.—Quite.

President.—Mr. Capadia, you have heard what Mr. Alexander has said. I should like to know when you would be in a position to communicate to us the result of these negotiations.

Mr. Capadia.—I have received a telegram from my head office saying that we are going to have a Board meeting shortly. The Director of Industries, Bihar and Orissa, who is also a member of the Board, is coming down to Bombay. As soon as we are able to decide I shall let the Board know. There is just one point I should like to make clear if you would allow me to do so. I should not be understood to mean that we are satisfied with one shift working only. What I said was this. At present we have arranged for

finance for one shift maximum production but it is our ultimate aim and goal to go to three shifts, without which we realise we cannot bring our case down. We have it is true, made arrangements by which we can get funds for one shift working but it is not our intention to stop there.

President.—I don't dispute that you have every intention of going ahead. But we have to be satisfied whether you have the means to do so.

Mr. Capadia.—As regards one shift, I shall let the Board know definitely either to-day or to-morrow whether the arrangement is settled or not. But as regards the financial arrangement for working three shifts, we might be able to let the Board know by the end of this month after we held the Board meeting.

President.—I may just point out to you that you run a considerable risk by the delay.

Mr. Capadia.—I quite appreciate your point.

President.—I must say that I feel very great difficulty in coming to any conclusion as to what your financial position is as regards the additional capital needed for working two extra shifts. Is it a mere arrangement with a Bank to make you an advance of 75 per cent. or what is it?

Mr. Capadia.—Besides cash credit, we have our own materials, stocks, stores, outstandings, etc. If we take the cash credit along with these, it will be more than sufficient for running one shift.

President.—I am not talking of one shift only. I am prepared to take your statement as correct as regards one shift. As I pointed out yesterday, we cannot accept the basis of one shift at all. In our first report, we allowed you to work on one shift and we gave you three years. You are still on one shift only.

Mr. Capadia.—We have very nearly reached one shift maximum production and we say that we are fully provided with finance for that. It is necessary that we should work three shifts and we are making arrangements with that end in view. We have every hope of succeeding in that. For one shift there is absolutely no difficulty.

President.—I am trying to point out Mr. Capadia that the one shift period, so far as I am concerned, is past long ago. It has taken you three years to complete one shift, whereas in three years time, you should be manufacturing 10,000 tons.

Mr. Capadia.—That was unfortunate owing to our not being able to get rods.

President.—The country has borne the burden for three years, and you have worked only for about one year.

Mr. Capadia.—We have worked for about two years in all.

Dr. Matthai.—You have worked only for 15 months and during these 15 months your average working was somewhere about half of one shift.

Mr. Capadia.—I want to make my position perfectly clear. We have the finance ready for one shift working. We have very nearly reached the maximum production for one shift. We have also every hope of securing the necessary finance for three shift working.

Would the Steel Company take over the Wire Company if protection were to be suspended or withdrawn?

Dr. Matthai.—With regard to the proposal of the taking over of the Wire Company by your Company, supposing—it is a pure hypothetical contingency—we suspended protection or withdrew protection on wire, would that have any effect on the willingness of your Company to put this particular proposal through?

Mr. Alexander.—I could not answer that. When you say the Steel Company, do you mean the Board of Directors?

Dr. Matthai.—You referred sometime ago to the willingness of the Steel Company with regard to this proposal. I thought practically you knew the mind of your Board to some extent. Without committing you in any way, I am asking you . . .

Mr. Alexander.—All I know is that the Board have expressed their willingness to consider any proposal that the Wire Company might put forward.

Dr. Matthai.—Supposing one took the line that till wire rod was actually produced by the Tata Iron and Steel Company and this particular proposal matured and all the necessary arrangements made, till that time, there should be no protection for wire and wire nails, would that have any effect?

Mr. Alexander.—I should think it would. The Steel Company would have to go into figures as to what it would mean with protection and without protection.

Dr. Matthai.—There is one other point. You have a great deal of experience in the steel business in this country. Supposing there was no kind of moral obligation on your Board to take over the wire business arising from the past history of this case and supposing it was purely a commercial proposition, looking at the market for wire and wire nails in this country, would you undertake the production of wire in connection with your Steel Works at Jamshedpur?

industry is a financial success or not. It puts the Wire Company in a better position to ask for a better bargain. In a case like this what are we to do?

Mr. Alexander.—From the sentence that our idea would be to reconstruct the Company so as to place it ultimately on a paying basis either with protection when we are in a position to supply the necessary raw material or without this if the Company can be made to pay independently of protection, one might infer that we don't expect protection as long as we cannot supply the necessary raw material.

President.—Let me put it to you this way. Supposing you took over the management and no orders were passed by Government as to whether protection was to continue or not to continue, would you still go on manufacturing wire and wire nails out of foreign rods or would you close down and wait? That is an important point.

Mr. Alexander.—That would largely depend on what we would be able to do by doing full production. We would have to find that out.

President.—I gave you those figures which we worked out yesterday: Their works cost on one shift basis is Rs. 144 and their average realised price is Rs. 184. There is a margin of Rs. 40.

Mr. Alexander.—What we would undoubtedly do is to put money into it and get supplies so as to operate continuously and try to work up to maximum production as quickly as possible and then see where we stand. If we find that it is hopeless, we would undoubtedly close down until such time as we could produce the necessary raw material.

President.—Am I to understand that you would continue the manufacture for a time and then after you have gained experience if you find that you require protection you would come up and if you won't require protection, you would not, whether you manufacture with imported rod or your own rod?

Mr. Alexander.—Yes.

President.—Assuming that you took over the management, there would be no immediate necessity for any decision as to the question of protection because you would not really know whether you required protection or not until you had worked for some time. Is that so?

Mr. Alexander.—We would like to have figures to go on.

Mr. Mather.—The case would be parallel to that of the Agricultural Implements Company which you took over at the time when there was no protection and which you are still working in order to ascertain how far it is possible to reduce the costs and what the chance is of making the Company pay.

President.—Supposing again we are satisfied that the arrangements Mr. Capadia is going to make about finances are satisfactory, then this question will not arise, but supposing we came to the opposite conclusion, and then in consequence the Company has to close down, I am fully confident that the Steel Company would treat the matter as if that thing had not happened, that is to say, it would not insist upon a bargain which would have been different if the Wire Company had not closed down. I am just putting this point to you personally so that you can put it to the Board of Directors if the question does arise. You can quite understand that the position is very much altered when a man has to close down and sell his assets; he gets a different price from what he would get if it were sold as a going concern, and I have no doubt that the Steel Company would do the right thing and that the negotiations would be conducted as if it was a going concern if unfortunately we came to the conclusion that though a case for protection had been made out by the Wire Company it should be refused because its financial arrangements were unsatisfactory.

Mr. Alexander.—I quite realize that.

The Wire Company's Plant.

President.—There is one other point. Have you seen the Wire Company's plant?

Mr. Alexander.—Once or twice.

President.—The plant originally belonged to the Steel Company?

Mr. Alexander.—Yes.

President.—This plant is supposed to have cost about Rs. 25 lakhs in round figures. Does that include the shelving plant?

Mr. Alexander.—Yes.

President.—In the valuation made by Mr. Burkinshaw the whole plant was valued at Rs. 11 lakhs including the shelving plant and then he put a valuation of 60 per cent. on that 11 lakhs.

Mr. Capadia (representing Steel Wire Products, Limited).—That is our valuation. He put down the valuation for the two buildings as well as the wire mills, the shelving plant and everything taken together. Originally it cost us about Rs. 23 lakhs which was reduced by about 50 per cent. taking the plant as a whole.

President.—What would be the value of the shelving plant?

Mr. Capadia.—The original purchase price was about Rs. 4 to 5 lakhs apart from the building.

President.—Mr. Alexander, have you any idea as to what you would do with the shelving plant?

Mr. Alexander.—We have not considered it at all.

President.—Is there any room for making steel shelving here?

Mr. Alexander.—I have no idea but there are people in India who buy sheets from us for the manufacture of shelving.

President.—Has it got anything to do with the manufacture of wire and wire nails, or is it quite an independent process altogether?

Mr. Alexander.—It is quite independent.

President.—So that if you took it over it would be used in your sheet department?

Mr. Alexander.—No.

President.—The reason why I was asking you this question is this. As you know in our calculations we want the replacement value, and according to these figures about Rs. 7 lakhs would be the value for the wire and wire nail plant and about Rs. 4 lakhs for the shelving. The only point about which I am not quite clear is whether that may be taken as the replacement value, because if you were taking it over naturally your depreciation and other things would depend upon the replacement value. That plant, I take it, was bought about the same time as some of the plan for the greater extensions so that our method of arriving at their value might, I think, be applied to this plant?

Mr. Alexander.—Yes.

Financial position.

President.—Mr. Capadia, I should like to know a little more about your financial position. If you hear anything more as regards this arrangement with the Imperial Bank you may let us know. The only thing I am concerned with is the financial position of the Wire Company.

Mr. Capadia.—If you will give us time, we will be able to satisfy you.

President.—Who are the other Directors in your Company?

Mr. Capadia.—Sir Lalubhai Samaldas and Mr. F. R. Wadia, Solicitor of the firm of Messrs. Wadia, Ghandy and Company.

President.—I am talking of the managing agents.

Mr. Capadia.—We are carrying on.

Mr. Mather.—But not satisfactorily

President.—Your own application was received too late. We could not lay aside our steel enquiry and go on with your application.

Mr. Capadia.—We first made our representation in May, 1926.

President.—Whatever might have happened in the past, I can see no alternative just now except to wait until you are in a position to tell us something more definite.

Mr. Capadia.—We will be able to do that.

President.—It would be necessary for you first to indicate to us in writing what you had done and I think it would also be necessary for you and your other Directors to come and give evidence, because this affects the question of finance.

Mr. Capadia.—We have to consider the question jointly. We will try and hurry up as much as possible.

President.—I am giving you a fair warning. You can do as you like.

Mr. Capadia.—Could any date be provisionally fixed?

President.—It would be a week after we receive your communication. You must send your estimates of the future cost for three shifts. You must try and give us more information about the c.i.f. prices both of wire and wire nails. I take it that your works cost is the average for all the gauges. Therefore you must give the corresponding c.i.f. prices.

Would it be possible for you to let us have all the copies of correspondence in connection with the negotiations about finance?

Mr. Capadia.—Yes.

President.—If you are arranging with any outside financial body, it may be necessary for us to examine a representative of that body. That you will have to be arranged by you.

President.—Mr. Alexander, would it be too much trouble to you to go into these estimates (if we sent you a copy) and give us your opinion.

Mr. Alexander.—No.

President.—I have asked them to prepare an estimate for three shift working of which we shall also send you a copy. If you would kindly go through the figures and come down here for an hour or so, we should be very much obliged.

**Oral evidence of Mr. C. A. ALEXANDER, General Manager, the
Tata Iron and Steel Company, Limited, recorded at Calcutta
on Thursday, the 28th April, 1927.**

The position of the Indian Steel Wire Products, Limited.

President.—When we last took your evidence, there were certain negotiations going on between the Tata Iron and Steel Company and the Indian Steel Wire Products, Limited. Can you tell us now what stage those negotiations have reached?

Mr. Alexander.—Here is a letter from the Director of Industries, Bihar and Orissa (Mr. Gupta), to Mr. Peterson, dated the 11th April 1927:—

“Please refer to your d.o. No. G-293/27, dated the 7/14th March last and Messrs. Tata Sons, Limited, letter No. G-294/27, dated the 7/14th March in reference to your proposal for foreclosure of the Indian Steel Wire Products, Limited, by the debenture holders. This has now been duly considered by my Government and I am directed to say that they have come to the conclusion that foreclosure is now unavoidable. They agree, therefore, to the course suggested by Messrs. Tata Sons, Limited, in their above letter that a formal requisition should be made to the trustees to foreclose and to enter into possession of the property. I have, therefore, been authorised to make the requisite arrangements with Messrs. Tata Sons, Limited, for this purpose and on receiving an assurance from them that they are prepared to act as receivers and administer the property, Government will be ready to make a formal requisition to the trustees requesting them to give notice of their intention to foreclose. It is presumed that not only Messrs. Tata Sons, Limited, but also the remaining debenture holders (represented by Mr. Saklatwala) will join in this requisition. In this connection, I am directed to say that Government are advised that under the terms of clause 8 of the trust deed, it is incumbent upon the trustees to give six months' notice to the company of their intention to foreclose. I should, therefore, be obliged if you could let me know at your earliest if the Tata Iron and Steel Company would be prepared to act as receivers and administer the property as desired by Government. I should also be thankful to you if you could kindly ask your legal advisers to draw up the necessary notices and other documents in connection with the proposed foreclosure proceedings in conformity with the terms of the debenture trust deed and copies of same forwarded to me.

2. As regards the future of the concern, I note that your proposal is that the debenture holders should agree to subscribe in proportion to their interests sufficient sums to enable the enterprise to be carried to a successful conclusion and the Steel Company would be prepared to bear its portion and, if desired, to undertake the control and management of the concern. The co-operation of Government in any proposal of this nature, as you will recognize, must depend upon the terms involved but I fear that any proposal of this nature involving, as it does, laying out of fresh capital may be considered by Government to be tantamount to throwing good money after bad. In any case, however, before I can recommend such a proposal to Government, I must know the exact terms and the extent of fresh financial obligations involved in such a course. At the same time, I trust that you will see your way to make the alternative proposal which you made to me while I was in Bombay, *viz.*, the purchase of the Government debentures by the Steel Company by pledging the security of the Steel Company's debentures and the Government to forego interest, either accrued or to accrue, until such time as the Steel Company were in a position to restart the Wire Products Company with raw materials manufactured at Jamshedpur. I am quite sure this alternative proposal of yours is likely to find greater favour with Government than any other scheme in which they may be called upon to find further finance.

3. I am not replying separately to the letter of Messrs. Tata Sons, Limited, referred to above, as I think I have dealt herein with all the points raised in that letter. I trust that speedy action will be taken by you in the matter and that you will favour me with a reply on all the points touched as early as possible."

That was on the 11th of April, 1927 and then I heard nothing more until I wrote to Mr. Peterson saying that I was coming down to give evidence and I wanted to know what the position was. In reply to my letter I had this telegram from Mr. Peterson:—

"76 your letter 1150 of 19th and telegram of 11th of 27th regarding Wire Products. Referring item one of Tariff Board letter, please see Gupta's letter to Peterson of 11th. We have telegraphed him to-day as follows:—

Your letter 11th and telegram 26th regarding Wireforms. Our Board agree that it is necessary bring about sale of properties by debenture trustees. They think new company should be formed who would purchase plant, etc., and they are prepared to arrange for this and to manage same. Steel Company prepared to contribute their share in finance for new Company in proportion to debentures held by them on condition that Government and other debenture holders also contribute proportionately.

On the other items mentioned in Tariff Board letter we approve your views."

That is all that has happened so far.

President.—The exact position is that a definite agreement has been come to between the debenture holders to apply to the trustees to put the Company into liquidation.

Mr. Alexander.—Yes.

President.—I believe under the terms of the trust deed the trustees have no option but to do this.

Mr. Alexander.—I think so.

President.—As regards the future of the Company nothing is yet decided.

Mr. Alexander.—Nothing is yet definitely decided.

President.—Is this the position now? If your Company's proposals are accepted and a new company formed, what you said in your last evidence will still hold, namely, that you would either keep the plant inoperative until such time as you manufactured the rods or you would experiment with imported rods and that in any case you would not apply for protection until you tested the plant and ascertained at what costs you could produce.

Mr. Alexander.—It is a little early for me to answer that. The negotiations are still going on and I have not talked to my principals on the subject. I cannot say definitely whether we would try and work it to see what could be done or close it down until such time as we manufactured wire rods. But personally I think I would recommend to them to try and see what could be done as it is.

President.—Do you mean without protection?

Mr. Alexander.—Under the same condition as at present.

Dr. Mathai.—I understand the position to be this that at present the debenture holders are agreed that an application should be made to the trustees for foreclosure.

Mr. Alexander.—Yes.

Dr. Mathai.—Supposing you and the Bihar and Orissa Government are unable to come to an understanding with regard to the particular proposal raised in the telegram, that is to say, the question of the Bihar and Orissa Government contributing their share of finance for the new company in proportion to debentures held by them, would the debenture holders still apply to the trustees for foreclosure?

Mr. Alexander.—Yes.

Dr. Matthai.—Therefore the only question that is now at issue is whether the Tata Iron and Steel Company after foreclosure would simply act as receivers or in addition also manage the property as a running concern?

Mr. Alexander.—Yes.

Dr. Matthai.—That is a question on which you have not yet arrived at any decision.

Mr. Alexander.—Quite so.

Dr. Matthai.—The question of foreclosure may be regarded as a settled fact.

Mr. Alexander.—Yes.

Dr. Matthai.—What precisely is the ground on which you as debenture holders are now proposing to take action?

Mr. Alexander.—I cannot answer that. This was discussed in Bombay and not in Jamshedpur.

Dr. Matthai.—That is rather awkward. You are here giving evidence for the Tata Iron and Steel Company, and the Board is entitled to assume that you have instructions on the material points.

Mr. Alexander.—The letter from Mr. Gupta to Mr. Peterson was dated 11th April, 1927, and apparently they did not reply to that letter by the 26th as Mr. Gupta again sent a telegram on the 26th and they wired him on the 27th, that was yesterday and there has been no time for obtaining further information.

Dr. Matthai.—Are you familiar with the precise course of the negotiations?

Mr. Alexander.—No, they have been discussed in Bombay at Board meetings and I do not know anything about it more than I have read out to the Board.

Dr. Matthai.—The debenture holders have agreed to take action. You told me that quite definitely.

Mr. Alexander.—Yes.

Dr. Matthai.—There is the Bihar and Orissa Government, there is the Tata Iron and Steel Company and there are also a few other debenture holders.

Mr. Alexander.—Yes.

Dr. Matthai.—Under the trust deed the majority of the debenture holders can proceed to take action or do you require unanimity?

Mr. Alexander.—I don't think that they require unanimity.

President.—The ground on which the debenture holders are going to make this application is that the interest due to the Tata Iron and Steel Company and others on their debentures has not been paid in time.

Mr. Alexander.—It is the Director of Industries, Bihar and Orissa, that has forced it.

Economies which might be effected if the Wire Company were taken over by the Tata Iron and Steel Company.

President.—On the assumption that you took over this firm and reorganised it, we would be very much obliged if you could give me some idea as to the economies which could be effected as a result of a big firm like the Tata Iron and Steel Company taking over a comparatively small company.

Mr. Alexander.—Working on the basis of costs which had been put forward by the Indian Steel Wire Products, Limited, we found that the total savings that we could effect would come to about Rs. 5,000 a month.

President.—Is it based on three shift working?

Mr. Alexander.—One shift on the wire drawing and 3 shifts on the present nail machines.

President.—Have you got the details as to how it is worked out?

Mr. Alexander.—Yes (handed in)*

Dr. Matthai.—Does that mean an output of 350 tons of wire and 450 tons of nails?

Mr. Alexander.—400 tons of nails and 50 tons of annealed wire. We have taken 400 tons of nails as against their 450 tons because looking over the correspondence and figures we have a doubt in our mind whether the nail machines can, for three shifts, produce three times as much as they are producing now on one shift.

Dr. Matthai.—In that case you will have to produce 450 tons of hard bright wire.

Mr. Alexander.—Yes.

Dr. Matthai.—The evidence that we have had from the Wire Products Company is that on one shift they could draw 350 tons of wire.

Mr. Alexander.—We are going on a basis of 450 tons after consulting the Manager of the Indian Steel Wire Products, Limited.

President.—Do you consider that an output of 400 tons of nails and 50 tons of annealed wire would be a suitable outturn for the market.

Mr. Alexander.—Yes.

President.—The market is, as far as you know, not good for wire.

Mr. Alexander.—No.

President.—I think that the statement you have put in just now covers pretty nearly every item mentioned in our Secretary's demi official letter to you.

Mr. Alexander.—Yes, except 2 (a), (b) and (c).

President.—It does not cover economy in the matter of railway freight to and from Calcutta.

Mr. Alexander.—Our figure of saving on imported wire rod is a rupee per ton and the saving on the shipment is Rs. 2.

President.—Owing to your being able to get more favourable rates.

Mr. Alexander.—Yes.

President.—What about the economy in packing?

Mr. Alexander.—It is about Rs. 7-13-0.

President.—That is apart from the miscellaneous?

Mr. Alexander.—Yes.

President.—What is the main economy there?

Mr. Alexander.—The economies under head office and selling expenses (*viz.*, Rs. 1,000 plus 770) come under (a); whereas the other economies come under (b).

President.—I would like to know whether you are taking into consideration packing in kegs which is a very expensive item. It costs Re. 1 per cwt. to the present company.

Mr. Alexander.—There will be no saving there.

President.—We had it in evidence yesterday from Mr. Ganguli that he is supplying the kegs and they actually cost him 11 annas 6 pies to make; he sells them at 14 annas 6 pies including railway freight and makes a profit of 5 annas 6 pies. It seemed to me possible that there might be some saving there if the Steel Company took over the managing agency.

Mr. Alexander.—It is just possible that in conjunction with the Agricultural Implements Company we might effect some saving.

President.—Would it be reasonable to take the cost of your kegs at the cost price at which Mr. Ganguli is making them, that is to say 11 annas 6 pies?

* See Supplementary Statement No. 2.

Mr. Alexander.—I can't tell you off-hand the cost of making them for Agrico.

President.—It would be reasonable to assume, would it not, that a large company like the Steel Company having the advantage of buying wood and so on in large quantities would be able to produce at least as cheaply as Ganguli's produce them in Calcutta?

Mr. Alexander.—I should think so.

President.—That would give you an additional saving of 4 annas 6 pies which you have not taken into account.

Mr. Alexander.—That is correct.

President.—Economies in handling has already been taken into account I suppose?

Mr. Alexander.—Yes, handling would be a rupee less.

President.—Excluding the saving on kegs that would probably be the saving which you might reasonably expect to make?

Mr. Alexander.—Yes (hands in answers to the various question raised in Tariff Board's letter, dated

The manufacture of wire rod in India.

President.—The next point is in connection with the question of making rods. In going over the evidence we find that in our last sitting you stated that you would erect the rod mill in three years; on the other hand Mr. Peterson said in Shillong if the Company was to produce wire rods quickly they would put it in the forefront of their programme and they would be erected and be in working order in less than 18 months. There is rather a big discrepancy between the two statements?

Mr. Alexander.—That statement was made nearly a year ago. Since then the Board has pressed us to go on with the roughing mill and fuel economies and various other items which would show a bigger return to the Steel Company, so we have gone ahead and I have had sanction for an expenditure of 175 lakhs which includes the new roughing mill, a new boiler plant and various other things and therefore we had to postpone the erection of this mill.

President.—By what time from now will the mill be erected?

Mr. Alexander.—I say three years.

President.—Supposing for the sake of argument this wire mill is completely closed down and is not working at all and another mill proposes to start—we have an application from Messrs. Ganguli and Company stating that they have an idea of starting a mill—then, in that case, would the Tata Company consider it a sound proposition to erect this mill for the manufacture of wire rods for the purpose of supplying to Messrs. Ganguli and Company?

Mr. Alexander.—Yes, because the mill will not only be designed to roll wire rods but hoops, strips and other sections of which there is a big import into India to-day.

President.—That is to say whether the existing wire and wire nail company continues to function or not, you would still erect your wire mill?

Mr. Alexander.—Yes, and take over the smaller sections from the merchant mill.

Dr. Matthai.—We can take it that whatever happens the hoop and strip mill is going to be erected within three years?

Mr. Alexander.—Yes.

President.—Would you mind giving us some description of the process you adopt in rod making? At what stage would you break off? Would the steel go in the shape of.....

Mr. Alexander.—Billets, but only smaller billets.

President.—So that your process is very akin to your process on the merchant mill?

Mr. Alexander.—The same except that it is on a smaller scale.

President.—On page 80 of our report we stated that the fair selling price in 1933 would be Rs. 111.

Mr. Alexander.—Yes, and the works costs would be Rs. 77.

President.—How would the cost of producing rods compare with that?

Mr. Alexander.—I have estimated Rs. 90 against that Rs. 77.

President.—What is the reason for the increase?

Mr. Alexander.—Smaller the sections lower the tonnage.

President.—That would bring your fair selling price to somewhere near Rs. 123 assuming that the overhead remains the same, that is Rs. 33.

Dr. Matthai.—When you estimated Rs. 90 as your works costs, did you mean that would be the cost as soon as you started the business. How many years would it take for you to reach Rs. 90, and on what sort of output?

Mr. Alexander.—We have not designed the mill yet, but we are putting a figure of 30,000 to 40,000 tons a year of rods, hoops and strips and those sections which are too small for the merchant mill. We don't want to roll anything under $\frac{3}{4}$ " on the merchant mill. Below that we will roll on the new mill, but the mill has to be designed yet. We are designing it for an output of something like 30,000 to 40,000 a year.

Dr. Matthai.—The hoop and strip mill will be mainly employed in producing other kinds of steel the production of wire rod being only part of the business? Supposing at the time of starting this business you find that the demand for wire rod is small that would not make any difference in the estimated cost?

President.—So that we can take your figure of Rs. 90 as a pretty certain figure?

Mr. Alexander.—The merchant mill by that time would have an output of 100,000 tons a year and this mill would only have an output of 40,000 tons and one mill would be just as expensive as the other.

President.—This cost would be in 1933; in three years time, that is to say in 1930, can you give us any idea what the cost would be?

Mr. Alexander.—I would say after 12 months from the time it was started. The costs would come down gradually, they would come down to Rs. 100 and gradually to Rs. 90.

Dr. Matthai.—Are you in a position to tell us, supposing we suspend protection, would that have any material bearing on the question as to whether you will undertake to keep this as a going concern.

Mr. Alexander.—I should say it certainly would.

Protection.

Dr. Matthai.—I gathered from your evidence last January that if you decided to take over the business of the Indian Steel Wire Products Limited, you would try to work it for some time with a view to ascertaining for yourselves whether on the actual data you would require protection or not.

Mr. Alexander.—Since then we have seen the costs of production and our position has changed.

Dr. Matthai.—Your position now is that you have examined the costs and you think if you are to keep thing going the present protection should continue?

Mr. Alexander.—Yes.

President.—Do you mean the present protection or a measure of protection. Is it your contention that the present protection is to continue? In order to justify a conclusion that Rs. 60 per ton is a fair protection we should rather like you to give us an estimate of the overhead charges and the costs

and so on. After all protection is the measure between the fair selling price and the imported price.

Mr. Alexander.—We have given figures.

President.—Am I to take it that after your calculation you came to the conclusion that the present protection is justified? Is that your view?

Mr. Alexander.—Yes.

Market.

President.—Have you examined the market for wire and nails?

Mr. Alexander.—Yes in a small way, just making enquiries as to the price they are selling at, etc. Our sales manager has obtained information about this for me.

President.—The total import of protected wire and protected nails at present to India is somewhere in the region of 17,000 tons a year and the total import into the Calcutta market is somewhere between 6,000 to 7,000 tons a year. What is the opinion of the Steel Company as to the maximum production which this mill would be able to dispose of?

Mr. Alexander.—Does that include upcountry?

President.—Only Bengal.

Mr. Alexander.—One shift on the wire mill and three shifts on the nail machines for the present.

President.—That is to say somewhere about 5,000 tons a year and beyond that you would not go?

Mr. Alexander.—No.

President.—So far as your sales organisation is concerned at present that is about the maximum amount you could dispose of.

Mr. Alexander.—Yes.

Cost of new plant etc.

President.—Has your Company formed any opinion as to the fair price for a plant producing 450 tons a month?

Mr. Alexander.—No.

President.—You have not examined that question at all.

Mr. Alexander.—No.

President.—You have not seen Mr. Ganguli's estimate.

Mr. Alexander.—No.

President.—He estimates something under Rs. 3 lakhs for plant and buildings turning out 250 tons a month. This is German machinery.

Mr. Alexander.—The block account is Rs. 2,73,000. I cannot comment on that. The figures look to me to be on the low side.

President.—Apart from the plant—the quotations for which we shall check—freight and so on—they have also an estimate of Rs. 50,000 for the factory house—there is nothing else in this estimate which strikes you to be rather on the low side.

Mr. Alexander.—Do you mean on the capital cost?

President.—Various items such as electric installation, construction costs and so on.

Mr. Alexander.—They look rather low to me.

President.—This is for an output of 250 tons.

Mr. Alexander.—Yes, how many nail machines does that include?

President.—15 nail machines. Taking the plant and buildings at Rs. 2,73,000 for an output of 250 tons, if we increase that proportionately for an output of 450 tons, would that be a reasonable way of tackling the problem?

Mr. Alexander.—I should say so.

President. You think that if this Rs. 2,73,000 be increased in the proportion of 450 to 250, that would give you a fair valuation of a plant you propose to work.

Mr. Alexander.—It has always been my idea that it would be about Rs. 5,00,000.

Dr. Motthan.—When you looked through these items you said that they appeared to you to be rather on the low side. Are you satisfied with item No. 2?

Mr. Alexander.—As regards 2 and 3 they are recent quotations. As regards No. 1, if they put up a cheap shed, that would be all right. But my remarks has reference to those small items.

President.—Taking for argument the present day valuation of the wire and nail plant as Rs. 5,00,000, in what proportion you would distribute that between the wire machinery and the nail machinery. There is a difference in the cost of production between wire and nails, but if you take your production at so much for wire and so much for nails and give the costs for both together, it would be really very difficult for us to get at the costs of the two plants.

Mr. Alexander.—Do you mean it should be more on the nails than on the wire?

President.—Yes, even though you may find that there is no justification for any separate duty on nails. Supposing we found that a duty is necessary on wire, even then it is a little difficult to separate the costs dealt with together, because another factory might produce 200 tons of wire and 100 tons of nails.

Mr. Alexander.—Quite.

President.—Would it be possible for you to separate the two costs? What would be the fair allocation between wire and nail? Nail making machines are cheaper, I think.

Mr. Alexander.—Yes, it would cost about Rs. 3,000 to Rs. 4,000 a piece.

President.—If you allocated Rs. 6 lakhs in the proportion of 4 to 2, it would be Rs. 4 lakhs for wire and Rs. 2 lakhs for nails.

Mr. Alexander.—It all depends on what he would want.

President.—In order to produce your total of 450 tons—50 tons of annealed wire and 400 tons of nails,—you would have to produce 450 tons of wire.

Mr. Alexander.—Yes.

President.—So that your plant would be of a capacity of 450 tons of wire a month.

Mr. Alexander.—Yes.

President.—Assuming the total cost is Rs. 5 lakhs, what would be the cost of the plant for drawing wire only.

Mr. Alexander.—Certainly not more than a lakh and half should be on the nails. As you say if we take Rs. 6 lakhs, I don't think 4 and 2 would be far out of the way.

Cost of production.

President.—As regards this three shift estimate you are of opinion that if over 1,000 tons of wire and nails were to be produced by this factory per month, it would be exceedingly difficult if not impossible to sell all its production of which 675 tons would be in the form of wire and 450 tons in the form of nails. So that from these costs for combined production of nails and wire, we would find it very difficult to arrive at any conclusion as to what it would cost to make wire and nails separately. In order to enable us to arrive at any conclusion, it seems possible to translate the result of these costs into the cost of making wire only in some such way as this: We might arrive at a fair figure for the spread between wire and nails and by deducting that amount for nails, we should be left with the total cost of producing 1,125 tons of wire. Do you think that that is a promising way of proceeding?

Mr. Alexander.—You are proceeding on the basis of 1,125 tons.

President.—Before we go into the question of spread, perhaps it would be better to settle the point as to what you think the plant as you have seen it is capable of producing.

Mr. Alexander.—Do you mean with the three shifts?

President.—Yes. What would you consider a fair spread between the cost of producing wire and nails? The best figure we have so far is the July figure which is Rs. 59, but of course that must be subject to considerable reduction.

Mr. Alexander.—Do you want from rod to wire or from wire to nails?

President.—The spread from wire to nails.

Mr. Alexander.—We have a spread of Rs. 38.

President.—If we take Rs. 38 as the spread and deduct the cost of nail at that price then this estimate would work out to about Rs. 25 the cost above materials for bright wire.

Mr. Alexander.—We have Rs. 33 from rod to wire for one shift. For two shifts we get Rs. 34.

Dr. Matthai.—For three shifts.

Mr. Alexander.—We have not taken that. Two shifts would run to 800 tons.

President.—If you were working three shifts, would it be reasonable to take Rs. 26 as the spread?

Mr. Alexander.—Yes.

President.—As you say it is a matter requiring very little consideration from the practical point of view.

Mr. Alexander.—Yes.

President.—In the course of the evidence we found that you agreed on the July costs the cost above materials would be Rs. 29 on an output of 220 tons of wire.

Mr. Capobianco.—I wouldn't say offhand.

Mr. Alexander.—I think it will be Rs. 36 (Rs. 153 ÷ Rs. 117).

President.—But your figure of Rs. 33 is for nails and bright wire.

Mr. Alexander.—That is for one shift wire.

President.—And no nails at all.

Mr. Alexander.—No.

President.—The estimate appears to be rather high.

Mr. Alexander.—It is their estimate.

Dr. Matthai.—You have worked on their estimate.

Mr. Alexander.—Yes, and made the necessary corrections for the increased tonnage. Our figure is Rs. 25 as against their Rs. 36. Our output is 250 tons as against their 219 tons.

President.—Their figure of Rs. 36 compares with your figure of Rs. 25 if Tata's take over.

Mr. Alexander.—No.

President.—It is simply on increase of production.

Mr. Alexander.—Yes and there would be a further saving of Rs. 10 on our taking over. That would be another ten rupees.

President.—Am I right in considering that your cost above materials for bright wire would be about Rs. 15.

Mr. Alexander.—Yes, excluding overhead.

President.—We shall take these figures as ~~provisional~~ and check them to-morrow. The outstanding figures are ~~the cost above materials for bright wire, according to your estimate on a production of 250 tons, which would be reduced to Rs. 25. There would be a saving of Rs. 10 on our taking over.~~

Rs. 10 consequent on the large company taking over a small company and making savings in railway freight and so on. The cost above material including overhead would be about Rs. 15 a ton.

Mr. Alexander. Yes.

President. The net result of these calculations is that if we confined our attention to the bright wire only and leave the nails out, these figures would not justify a protection of Rs. 60 a ton.

Mr. Alexander. What selling price are you taking?

President. The cost price is Rs. 116 and if you add Rs. 60 to that, it comes to Rs. 176. Their average realized price is Rs. 181.

Mr. Alexander. We will have to add overhead subsequently.

President. Even with the overhead it does not look as if the protection of Rs. 60 a ton would be justified. I have roughly calculated the overhead on Mr. Ganguli's estimate and it comes to about Rs. 25 a ton.

Mr. Alexander. On what output?

President. 250 tons a month of wire and nails. It might be slightly different for wire but the variation won't be considerable. The evidence we had from Mr. Ganguli about the prices of nails is that the prices of nails of the size which are usually sold in India are not higher than the prices of gauges of wire from which these nails are drawn.

Mr. Alexander. The Wire Company's figures do not bear out Mr. Ganguli's statement.

Dr. Matthai. Mr. Ganguli was speaking of import prices. He said that 2" nails and the corresponding wire came under the same price.

Mr. Alexander.—I would take it that the Steel Wire Company based their prices on actual realisation. Yet there is a difference of about Rs. 25.

President.—Possibly the price of nails is compared with the price of wire of a different gauge from that from which they are produced. In the case of Ganguli and Company their wire is generally 8" gauge and the nails they sell are 1½" to 2".

Mr. Alexander.—I see.

President.—Your main criticism as regards the three shift estimate is that it really is not a practical proposition?

Mr. Alexander.—The figures are valueless because they cannot sell the quantity of hard bright wire.

President. Beyond this have you any criticisms to make?

Mr. Alexander.—I have no criticisms to make beyond the fact that their's are fictitious figures.

Dr. Matthai.—We are basing all these calculations on the figures for July 1926 but you must remember that in July 1926 they had only a few months experience and during those few months the factory did not reach even a one shift output. So apart from the fact that there is this difficulty of marketing a three shift production, there is the further difficulty that the calculations are based on data which are far from reliable.

Mr. Alexander.—I agree

Market.

President.—You were saying just now that you assumed that you would sell 5,000 tons of nails and wire in a year to start with, supposing we were considering the question of protection for the same period as the Steel Company has protection, that is for a period of seven years, have you any reason to suppose that you would be able to dispose of a larger amount than 5,000 tons in the course of these seven years?

Mr. Alexander.—I suppose we could dispose of it but I am afraid we would have to dispose of it in less favourable markets.

President.—Unless we presuppose that the demand in the Bengal market is very much increased. If you go further afield you will have to pay railway freight.

Mr. Alexander.—That is so.

Dr. Matthai.—We have complete figures for 1925-26. In the Bengal area wire and nails put together sold to the extent of 7,000 tons and then there is the Government demand of 2,000 tons—I am speaking of the protected kinds that gives you a total of 9,000 tons, and then there is the barbed wire, fencing wire, wire rope and various other things, which you may go on to. So that assuming that we are going to base the scheme of protection for seven years, we should be justified in saying that you could expect a market for two shifts?

Mr. Alexander.—Two shifts on wire drawing and three shifts on nails.

Dr. Matthai.—I am speaking really of the wire production. Taking two shifts according to your calculation it would be about 700 or 800 tons a month, that is about 9,000 tons a year.

Mr. Alexander.—That is right.

President.—Do you think that by 1933 it would be reasonable to expect you to work your market up to 9,000 tons?

Mr. Alexander.—If Dr. Matthai's figures are correct, I should say yes. Does that figure include all sizes or the sizes that Indian Steel Wire Products make?

Dr. Matthai.—I will tell you what they exclude. They exclude wire rope, all kinds of wire used for fencing purposes, barbed wire.

Mr. Alexander.—Does that include galvanized wire?

Dr. Matthai.—It includes galvanized wire but not galvanized wire rope.

President.—Do you propose to manufacture galvanized wire straight away at the commencement?

Mr. Alexander.—It will have to be investigated. I don't know whether the equipment is adequate. I am now enquiring about that.

Dr. Matthai.—Have you any idea to what extent wire and nails were imported for war purposes into India?

Mr. Alexander.—I have no idea?

President.—We were told yesterday that the Hume Pipe Company have re-organized their work at Tatanagar. Have you any idea what their requirements for bright wire would be?

Mr. Alexander.—Very small, so far as one can judge by their output.

President.—Would it run to 50 tons a month?

Mr. Alexander.—I should think it would be in the neighbourhood of 75 tons, with full production.

Dr. Matthai.—What about markets outside Bengal? For example would the markets in India—Karachi and part of the Bombay market—also be within your reach in course of time?

Mr. Alexander.—We have very unfavourable freight rates. In the first place the import price into Karachi and Bombay is very much less than into Calcutta and Madras and I think it would be safer to exclude Karachi and Bombay and stick to Calcutta, the Ganges valley and Madras.

Dr. Matthai.—Madras would give you about 1,500 tons.

President.—Would not the Madras market involve a large expenditure in freight?

Mr. Alexander.—We have disadvantages there but not so much as in Karachi and Bombay.

President.—You will remember in the Steel enquiry we made allowance for the Steel Company's products because they could not compete in Southern India, so that would you not make allowance for a proportionate decrease in the wire price?

Mr. Alexander.—Yes, we should have to do that, I suppose.

President.—It will be about Rs. 2 or 3 at the outside?

Mr. Alexander.—About that.

Cost of making bright wire.

President.—Taking your bright wire which you now whittle down to Rs. 15 a ton!

Mr. Alexander.—That was before checking.

President.—Supposing you increased your production to two shifts can you give us any idea what it would come to?

Mr. Alexander.—We will let you have it to-morrow. I think there will be a reduction of Rs. 3.

President.—You are not bringing down your costs above material at all. So there is not much room for reduction if you are working two shifts.

Dr. Matthai.—The reduction would be far more considerable on the overhead, would it not?

Mr. Alexander.—Yes.

Two shift working.

President.—You were going to give us an estimate of the cost above materials for working two shifts; you said you would give us copies of these costs.

Mr. Alexander.—We will let you have it.

Dr. Matthai.—On this statement that you have given us of the savings if Tatas took over, supposing you worked two shifts, would there be any saving?

Mr. Alexander.—Roughly 50 per cent. more.

Dr. Matthai.—If the output goes up to 100 per cent., these charges will go up 50 per cent. more.

Mr. Alexander.—If the output went up from 450 tons to 700 tons, the savings by Tatas taking over would go up like this, if in the first case it is Rs. 5,000, in the second case it would be Rs. 7,500. The saving is greater than the increase in the output.

Dr. Matthai.—Practically we might leave that out of account. That is to say if the output went up to two shifts, you would say the saving would correspondingly be reduced.

Mr. Alexander.—That would be all right.

President.—You have got that adjustment in the cost above materials just now. You said that the cost might be reduced from Rs. 15 a ton to Rs. 12 a ton. That would also include any reduction on these items.

Mr. Alexander.—Yes, the same as we charge to the sheet mill.

Continued on the 25th April, 1927.

Two shift working (continued).

President.—Mr. Alexander, we are going to examine the estimate which you gave us yesterday. Yesterday we started with the July costs of the Wire Company at Rs. 36. That is the basis on which you would work.

Mr. Alexander.—Yes.

President.—Yesterday we started with Rs. 36 and on account of the increase in output from 250 to 450 tons on one shift you reduced that to Rs. 26. and then you further reduced that on account of saving to be effected by a big firm running the factory to Rs. 14. that is a saving of Rs. 12. If you put two shifts that will be still further reduced by Rs. 3. bringing it down to Rs. 11.

Mr. Alexander.—We could not supply them.

President.—Then, lubricating oil, lime, cotton waste, saw dust.

Mr. Alexander.—We are buying in large quantities.

The proposed Hoop and Strip Mill.

Dr. Matthai.—This hoop and strip mill that you are talking about, that is really a sort of merchant mill, is it not? Can you give me some idea of the cost of the plant in a hoop and strip mill as compared with a merchant mill of equal capacity?

Mr. Alexander.—I can answer that this way: We could put just as much money in this new hoop and strip mill as we have in the merchant mill if we wanted to. But we don't want to go into it on such an elaborate scale. What we are going to do is to utilize the old bar mill buildings to house the new hoop and strip mill.

Dr. Matthai.—What is going to be the output of your hoop and strip mill?

Mr. Alexander.—Say 3,000 tons a month.

Dr. Matthai.—Let us put it at about 40,000 tons a year. What is the capacity of your merchant mill?

Mr. Alexander.—100,000 tons.

Dr. Matthai.—What is the total capital expenditure on the merchant mill so far?

Mr. Alexander.—Somewhere about Rs. 50 lakhs. I do not propose to spend more than Rs. 30 to 35 lakhs, on a hoop and strip mill of this capacity 40,000 tons per year. That of course depends on what price we have to pay for the mill itself, we haven't done any estimate yet. I am only guessing.

Dr. Matthai.—But your expectation is that it might be possible for you to do the hoop and strip mill in the proportion of 30:50 of the cost of the merchant mill?

Mr. Alexander.—Let us say somewhere about 70 per cent.

Dr. Matthai.—In our recent report, one of the considerations that we had in view when we allocated the overhead charges to the various products was that where a plant cost more, obviously the product that you got out of that plant ought to bear a bigger proportion of the total overhead charges. if you take that roughly as the basis of allocation we might make a small reduction in the hoop and strip mill products as compared with the merchant mill products.

Mr. Alexander.—But the tonnage is very much smaller 40 against 100, and that more than offsets the difference in price.

Dr. Matthai.—If you had the same output from the hoop and strip mill as you have from the merchant mill then you could reduce the capital expenditure to somewhere about 70 per cent. of the merchant mill. If that is so, the depreciation charges and so on might be brought down more or less on the same basis.

Mr. Alexander.—Not per ton of output because the output is in the proportion of 40:100.

Dr. Matthai.—If you charge Rs. 15 to the merchant mill products and Rs. 15 also to the hoop and strip mill product then it does not seem to me a reasonable allocation in view of what I have said just now.

Mr. Alexander.—I am afraid the depreciation charges per ton on the hoop and strip mill would be greater. Supposing we took your own figures of Rs. 50 lakhs for the merchant mill depreciation at 6 per cent. would be Rs. 3 lakhs; divide that by 100,000 tons, that is Rs. 3 a ton. If you take Rs. 35 lakhs at 6 per cent., that is Rs. 2.10 lakhs divide that by 40,000 and you get over Rs. 5 per ton.

Dr. Matthai.—Divide that by 100,000. That is what I am assuming.

Mr. Alexander.—If you assume the same production, then that is all right.

Dr. Matthai.—Assuming that your merchant mill output is 100,000 tons and assuming that the hoop and strip mill is also going to have an output of 100,000 tons, in that case when your total capital expenditure on the merchant mill is Rs. 50 lakhs—you will be able to instal your hoop and strip mill at a capital expenditure of Rs. 30 to 35 lakhs. If you are going to have a hoop and strip mill of only 40,000 tons output, then your expenditure on that will be less than Rs. 30 lakhs.

Mr. Alexander.—We cannot cut the capital expenditure in proportion to the tonnage. If we have good sections we can roll 250 tons a day easily on two shifts on the merchant mill. Last week we rolled $\frac{1}{2}$ ths rounds which is one of the sections we propose to transfer to the new mill, and we got 40 tons on one shift and about 50 tons on the other shift, or call it 80 tons on the 2 shifts. Here the tonnage was only $\frac{1}{3}$ rd. $\frac{1}{2}$ ths would be higher than the average section that we are going to roll on the new hoop and strip mill so that the tonnage will be in the neighbourhood of three times as much.

Dr. Matthai.—If you are using your mill to half capacity it means that the wear and tear would be correspondingly less.

Mr. Alexander.—We are not going to use it half capacity; it is full capacity and still the output is less.

Dr. Matthai.—On the merchant mill you sell your bars in the open market; that requires a bigger sales organization. Here you hand over the whole of your output to one customer and therefore there would be a reduction in your head office charges, as compared with the merchant mill?

Mr. Alexander.—Yes.

President.—What would that amount to?

Mr. Alexander.—It is difficult to say because we took Rs. 90 instead of Rs. 77 largely on account of reduction in tonnage. It is difficult to say how much the saving would be; all I know is that when sections are so small, the tonnage is also small.

President.—I understood you to say that the works costs for producing wire rod would be Rs. 90 and that the overhead would bring it up to Rs. 123. Is there any possibility of reducing that on account of there being no selling organization?

Mr. Alexander.—That in proportion to the total output is very small and that would be sold by the same sales organization that we have now.

President.—Your figure of Rs. 123 is for 1933.

Mr. Alexander.—Yes.

Dr. Matthai.—I thought what you said yesterday was that the hoop and strip mill would be erected in about 3 years from now.

Mr. Alexander.—That is right.

Dr. Matthai.—Supposing the arrangements regarding the Steel Wire Company materialise in the course of the year, I should take it that somewhere about 1930-31 you will set up the hoop and strip mill.

Mr. Alexander.—The Board asked me for 1933-34. I didn't make any difference between 4 years from now and 6 years from now.

Dr. Matthai.—This Rs. 90 that you gave was the cost that you estimated in 1933-34 as against Rs. 77 which you have estimated for the merchant mill.

Mr. Alexander.—Yes.

Dr. Matthai.—At present wire rod is landed at Tatanagar for Rs. 118. That of course includes the railway freight from Calcutta to Tatanagar. We take that as Rs. 9. That also includes landing charges of, say, about Rs. 6.

Mr. Alexander.—Yes.

Dr. Matthai.—Then it includes the duty of Rs. 10 and it includes the sea freight from Europe—about Rs. 13?

Mr. Alexander.—Yes.

Dr. Matthai.—That gives you a total of Rs. 38. What I am trying to get at is the f.o.b. price.

Mr. Alexander.—The f.o.b. price is just over Rs. 80 or £6.

Dr. Matthai.—When you say Rs. 80 is the f.o.b. price, it is their works cost plus their overhead plus some profit.

Mr. Alexander.—Yes, if there is any profit.

President.—We could not necessarily conclude because they were selling at £6 f.o.b. that it gave them any profit or even fully covered their overhead. Am I correct?

Mr. Alexander.—That is right.

President.—It may be that that covered only their works cost.

Dr. Matthai.—That probably was the position a year or two years ago. The depression now is not so great. You would not go far to say that this Rs. 80 represented only their works cost.

Mr. Alexander.—I could not say that.

Dr. Matthai.—It does give them a surplus over their works cost. The only point I want to suggest is in 1933-34, that is to say after three or four years experience in the hoop and strip mill, do you think that your works cost would be as high as the f.o.b. price now.

Mr. Alexander.—I should not think so.

Dr. Matthai.—The President is suggesting that I might put it to you this way that your works cost in 1933-34 will be as high as their works cost now.

Mr. Alexander.—Yes.

Dr. Matthai.—But I think probably it is something more than that—their works cost plus a surplus.

Mr. Alexander.—I don't know. We are buying billets at present. You say they pay £6 for No. 5 rod. We have done our best to get these billets—2½ to 3" sq. as cheaply as possible and the best price that we can get is £5-14s.-0d. c.i.f. Calcutta.

Dr. Matthai.—That is how much in rupees

Mr. Alexander.—About Rs. 76 to 78. I do not understand how they can sell No. 5 rod at a price so near the price of billets and be making money on the rods.

Dr. Matthai.—What really troubles me about is this. You say that the hoop and strip mill is another form of merchant mill and your merchant mill is now working for the last three years and in 1933-34 it would have been in operation for about 10 years. The kind of skilled labour and the sort of machinery required for the hoop and strip mill are all precisely of the same kind and therefore it is for you to suggest that in 1933-34 the works cost on the hoop and strip mill would be higher than the works cost on the merchant mill by as much as Rs. 13. I cannot understand it.

Mr. Alexander.—For the same reason you can say that the merchant mill costs are high.

Dr. Matthai.—Why should I say that?

Mr. Alexander.—Because there must be a difference of Rs. 13. That is roughly a £. I don't think there would be less than 10s. difference in the cost of production between mills of the same description at home. The main reduction in cost that we are going to get on both the mills is in the raw material that is billets. The conversion cost is not going to come down much once you get the full tonnage.

Dr. Matthai.—In regard to all these bar products any reduction in the cost of ingot is bound to tell on the cost very considerably.

Mr. Alexander.—That is what we expect. The reduction in the billet charge to the hoop and strip mill and merchant mill will be much greater than the reduction in the conversion cost of the mills themselves. That is where we will get a big saving.

Dr. Matthai.—When you allow an excess of Rs. 13 over the estimated works cost on the merchant mill in 1933-34, aren't you making a very very conservative estimate.

Mr. Alexander.—I don't think anything less than Rs. 10 is possible.

President.—Can I put it in this way that in 1933 the fair selling price for rods might vary between Rs. 114 and Rs. 124?

Mr. Alexander.—Yes, I should think so.

President.—Including overhead.

Mr. Alexander.—I am basing on what I know to be the difference in the case of similar mills at home.

Dr. Matthai.—In the States.

Mr. Alexander.—In England.

President.—One aspect of the case is this that according to your estimate your rods will cost you Rs. 124. Now we have a quotation showing the c.i.f. price of imported bright wire of 8 gauge at about Rs. 116, so that actually your rods will cost in 1933-34 more than the actual figures for wire.

Mr. Alexander.—Yes.

President.—This Rs. 116 presumably includes the overhead—such overhead as they feel they will be able to charge. That raises the question whether you would ever be able to manufacture wire on an economic basis.

Mr. Alexander.—How does that compare with the pre-war price, do you know?

President.—I don't know. There is an adjustment to be made. In our last report we found that on the export of wire, all wire makers were getting some rebate which corresponds to something about Rs. 13 per ton of wire, so that your Rs. 116 would be raised to Rs. 129 which would leave a margin of Rs. 5. Then there is duty which will give you another Rs. 12. That comes to Rs. 141. So you would have a margin of Rs. 17 to cover your conversion charges *plus* overhead and your conversion charges come to Rs. 14. That would leave you about Rs. 3 for overhead.

Mr. Alexander.—Yes.

President.—It is probably a narrow margin.

Mr. Alexander.—Yes.

President.—But of course if you say it is possible that the price may come down, one might consider that there is a reasonable chance some time in the future that the manufacture of bright wire would be possible out here without protection, is that your view?

Mr. Alexander.—I think so.

President.—Not exactly without protection, but without any further protection except the revenue duty *plus* the protection against the bounty.

Mr. Alexander.—What have you taken as the imported price of rod in 1933-34 as against Rs. 77 here?

Dr. Matthai.—As far as the import price is concerned, we simply went by the import price of the current year.

Mr. Alexander.—If you take the difference between Rs. 90 and Rs. 116, that is Rs. 26.

President.—The present landed price for rod is about Rs. 98.

Mr. Alexander.—Yes without duty.

President.—The difference between bars and rods is Rs. 8. According to your estimate there will be a difference of about Rs. 13.

Mr. Alexander.—Yes.

President.—It would be really on the manufacture of rods that you have a drawback as compared with the Continent in turning out wire. In all other respects so far as we can judge by this estimate, you will be rather ahead of them.

Mr. Alexander.—Assuming that we put so many rupees on our works cost to cover overhead in comparing it with the works on the Continent, it would be wrong because those works wouldn't have as much overhead as we have.

President.—But in actual practice, whatever overhead may be considered as justifiable the works on the Continent actually sell at a price not sufficient to cover the overhead.

Mr. Alexander.—I don't say that. Their overhead is much less. Therefore it is not fair at the time of comparing to put our overhead on when their overhead is not so big by 50 per cent.

President.—In considering whether the industry is going to stand without protection, we have to consider the facts and the facts are that owing to the cost of bringing out the machinery and other things, the overhead is higher.

Mr. Alexander.—Yes.

President.—So that we must naturally look to better works cost in order to cover the bigger overhead.

Mr. Alexander.—Yes.

Dr. Matthai.—The figures that you have given so far don't suggest that the difference between the import price and your estimated fair selling price is so great as to make it impossible for you to begin the production of wire even if protection is withdrawn. When you have put up the hoop and strip mill, say, in 1931 and the general arrangements of the Company permit you to consider the question of producing wire even if there is no protection at the time, you can make a beginning, and then on the basis of your actual experience, you could come up to Government later if there was any case for protection.

Mr. Alexander.—That is what we did on the steel plant.

President.—The figures that you have given indicate that you can carry on for two or three years for experimental purposes without incurring any loss, but with perhaps a slightly diminished profit. Instead of getting 8 per cent. return, you might be getting 3 to 4 per cent.

Mr. Alexander.—Yes.

President.—Did you verify that figure whether it was 219 or 229 tons? We asked Mr. Capadia afterwards about the exact figure, but he seemed to be vague on that. He said at the end that 229 tons was right.

Mr. Alexander.—We simply took the figures that the Secretary sent us, but those figures were sent to the Board by the Wire Company. I think what they have done is to get the tonnage of 229 tons by taking not only the 219 tons 17 cwt. of finished product but also 9 tons and 18 cwt. which was in process. We might call our tonnage 60,000, because we produce 30,000 tons and have another 30,000 tons in process.

President.—Some adjustment will be necessary because they have included expenditure on that. They have included in their statements presumably all the expenditure they have incurred on the wire which is in the process of manufacture up to date.

Mr. Alexander.—So do we in all our departments. Take the sheet mill. We have several hundred tons in process. Against the month's working costs, we only put the amount that we have actually finished, because practically the same amount hangs over each month as in process.

President.—I agree if you have a works which is continually working, but here you have a works which works for one month, but it is closed for two months.

Mr. Alexander.—I see the point.

President.—Isn't there something in what I say?

Mr. Alexander.—Yes, there is.

President.—Apart from the statement you have put in showing the savings in a big Company like Tatas taking over a small concern, have you any other statement showing the reductions as a result of the increase in output.

Mr. Alexander.—We re-estimated each and every item.

President.—Could you give us that statement?

Mr. Alexander.—Here are two statements (handed in)*—the first is on the basis of wire machines working one shift and the present nail machines working three shifts and the second is on the basis of wire machines working two shifts and the nail machines working three shifts with additional 12 new machines.

President.—Could you give us separately for wire and nails?

Mr. Alexander.—Yes.

*See Supplementary Statement No. 3.

XX. Director of Industries, Bihar and Orissa.

A.—WRITTEN.

1. Letter No. 111, dated the 11th April 1927, from the Director of Industries, Bihar and Orissa, to Mr. J. C. K. Peterson, Tata Sons, Limited, Bombay.

Please refer to your D.O. No. G-293—27, dated the 7/14th March last and Mr. J. C. K. Peterson, Tata Sons, Limited, letter No. G-294—27, dated the 7/14th March in reference to your proposal for foreclosure of the Indian Steel Wire Products, Limited, by the debenture holders. This has now been duly considered by my Government and I am directed to say that they have come to the conclusion that foreclosure is now unavoidable. They agree, therefore, to the course suggested by Messrs. Tata Sons, Limited in their above letter that a formal requisition should be made to the trustees to foreclose and to enter into possession of the property. I have, therefore, been authorised to make the requisite arrangements with Messrs. Tata Sons, Limited, for this purpose and on receiving an assurance from them that they are prepared to act as receiver and administer the property, Government will be ready to make a formal requisition to the trustees requesting them to give notice of their intention to foreclose. It is presumed that not only Messrs. Tata Sons, Limited but also the remaining debenture holders (represented by Mr. Saklatvala) will join in this requisition. In this connection, I am directed to say that Government are advised that under the terms of clause 8 of the trust deed, it is incumbent upon the trustees to give six months' notice to the company of their intention to foreclose. I should, therefore, be obliged if you could let me know at your earliest if the Tata Iron and Steel Company would be prepared to act as receivers and administer the property as desired by Government. I should also be thankful to you if you could kindly ask your legal advisers to draw up the necessary notices and other documents in connection with the proposed foreclosure proceedings in conformity with the terms of the debenture trust deed and copies of same forwarded to me.

2. As regards the future of the concern, I note that your proposal is that the debenture holders should agree to subscribe in proportion to their interests sufficient sums to enable the enterprise to be carried to a successful conclusion and the Steel Company would be prepared to bear its portion and, if desired, to undertake the control and management of the concern. The co-operation of Government in any proposal of this nature, as you will recognise, must depend upon the terms involved but I fear that any proposal of this nature involving, as it does, laying out of fresh capital may be considered by Government to be tantamount to throwing good money after bad. In any case, however, before I can recommend such a proposal to Government, I must know the exact terms and the extent of fresh financial obligations involved in such a course. At the same time, I trust that you will see your way to make the alternative proposal which you made to me while I was in Bombay, viz., the purchase of the Government debentures by the Steel Company by pledging the security of the Steel Company's debentures and the Government forego interest, either accrued or to accrue, until such times as the Steel Company were in a position to restart the Wire Products Company with raw materials manufactured at Jamshedpur. I am quite sure this alternative proposal of yours is likely to find greater favour with Government than any other scheme in which they may be called upon to find further finance.

3. I am not replying separately to the letter of Messrs. Tata Sons referred to above as I think I have dealt herein with all the points raised in that letter. I trust that speedy action will be taken by you in the matter and that you will favour me with a reply on all the points touched as early as possible.

(2) *Telegram dated Bombay 27th April 1927, from the Tata Iron and Steel Company to the Director of Industries, Patna.*

52. Your letter eleventh and telegram twenty-sixth regarding wireforms. Our Board agree that it is necessary bring about sale of properties by debenture trustees. They think new Company should be formed who would purchase plant etcetera and they are prepared to arrange for this and to manage same. Steel Company prepared to contribute their share in finance for new Company in proportion to debentures held by them on condition that Government and other debenture holders also contribute proportionately.

DIRECTOR OF INDUSTRIES, BIHAR AND ORISSA.

B.—ORAL.

Evidence of Mr. D. C. GUPTA, Director of Industries, Bihar and Orissa, recorded at Calcutta, on Friday the 28th April, 1927.

Introductory.

President.—You are the Director of Industries in Bihar and Orissa.

Mr. Gupta.—Yes.

President.—You are appearing to give evidence on behalf of the Bihar and Orissa Government?

Mr. Gupta.—I have been permitted by my Government to give evidence before you.

Position of the Indian Steel Wire Products, Limited.

President.—The Government of Bihar and Orissa are the biggest debenture holders in the Indian Steel Wire Products Company.

Mr. Gupta.—Yes.

President.—They hold debentures to the extent of Rs. 5 lakhs.

Mr. Gupta.—Yes.

President.—What is the exact position now which the debenture holders have taken up in regard to this Company? I understood from Mr. Alexander of the Tata Iron and Steel Company that the debenture holders of the Indian Steel Wire Products, Limited, had come to some arrangement in regard to approaching the trustees.

Mr. Gupta.—Yes. You remember at the last meeting of the Tariff Board a statement was made that Tata's had made an overture. That was the first intimation we had about this matter. Negotiations have now proceeded. Messrs. Tata Sons, Ltd., on behalf of the Tata Iron and Steel Company, have made a proposal that the debenture holders should foreclose. The Government of Bihar and Orissa have agreed to foreclosure but they have asked Messrs. Tata Sons, Limited, to inform the Government of Bihar and Orissa whether they would be prepared to act as receivers of the property and carry on. Mr. Peterson in a letter to us said that after foreclosure the question of the future management and financing of the Steel Wire Products Company could be discussed. Now I have informed Mr. Peterson of my Government's decision and I had no information until I sent him a wire. As soon as I got the intimation from the Tariff Board that I would be called upon to give evidence, I realised that this would be the point on which you would expect me to make some statement and so I wired him and this is what he has wired me back (showed the telegram).*

President.—The position then is that it is a settled fact that the debenture holders have applied to the trustees for foreclosure.

Mr. Gupta.—I take it that that is the opinion of my Government. I think that if I let you see the Government letter to me, you could then form your opinion as to how exactly the position stands (showed the letter)). Of course my letter† to Mr. Peterson is based on that Government letter which is a d.o. letter. Undoubtedly my Government have agreed in principle to foreclosure but as regards the future management, finance or reconstruction of the Company, they have had no opportunity to express any opinion.

*See copy of telegram dated 27th April, 1927.

†See copy of letter dated 11th April, 1927.

President.—The point I wanted to make clear is that on the decision to foreclose is a settled fact.

Mr. Gupta.—Yes.

President.—As regards the future of the company, that question is still under discussion.

Mr. Gupta.—Yes.

President.—You have no instructions from your Government on that point.

Mr. Gupta.—No.

Dr. Mathias.—I understand that there are really two points which are outstanding. The first is what exactly are the terms on which Tata's might be prepared to take over your debentures and the second is the question of keeping the business as a going concern.

Mr. Gupta.—I want to tell you this. When I went to Bombay in January last to take up the question of Tata's overture to the Wire Product Company, the curious fact came to my knowledge that Tata's were not very keen on taking up this company. That was what I was told both by Sir Lalubhai Shetabhai and Mr. Peterson. Then I saw Mr. Peterson and he made a suggestion that if the fact that he would do would be to buy up the Government debentures by picking the Steel Company's debentures against the Government debenture in the Wire Product Company and Government should agree to forego all interest interest and also the interest for a certain number of years until Tata's were in a position to work the factory with red manufactured at Jamshedpur. But it appears to me now that Mr. and Mrs. Tata Sons, Limited, are not receptive to that, and the proposal now is that in any reconstruction the debenture holders will be called upon to contribute a proportionate amount to the cost.

President.—On what grounds can the debenture holders foreclose?

Mr. Gupta.—The main thing is default—any sum to the extent of Rs. 500 or above remaining unpaid for over three months.

Dr. Mathias.—At the present stage, it is default in regard to the payment of interest and not the principal because the debentures are not redeemable except at the end of 10 years.

Mr. Gupta.—Yes. There has been default in regard to payment of interest, the principal being payable only from the end of the 3rd year, i.e., 1st April 1928, onwards.

President.—I understand that you will have to give six months' notice according to the trust deed.

Mr. Gupta.—Yes.

President.—During the period of six months, if the Company was to make good the debenture interest, would that affect your right to foreclose?

Mr. Gupta.—So far as I know, there are clauses in the trust deed where it is said that the Company will manage the property to the satisfaction of the debenture holders or their trustees and I think there is sufficient wide discretionary power—I am speaking from memory and so I would not like to be dogmatic about it—for the debenture holders to decide whether in their own interests they should or should not foreclose.

President.—Have the trustees any discretionary power at all in the matter?

Mr. Gupta.—The Government trustees have no discretionary power because they get their orders from Government.

President.—My point is this. There are two trustees.

Mr. Gupta.—There are three trustees, two trustees representing Government and another trustee representing debenture holders other than Government.

President.—Who is the third?

Mr. Gupta.—Mr. N. B. Saklatvala of Tata Sons.

President.—Have the trustees on an application in due form from the debenture holders any option in the matter?

Mr. Gupta.—No.

President.—They are bound to order the foreclosure.

Mr. Gupta.—Yes.

Dr. Matthai.—They can do that without reference to court.

Mr. Gupta.—Yes.

President.—They have to satisfy themselves that the debenture holders have shewn good cause.

Mr. Gupta.—Yes.

President.—It is within their discretion to say according to the terms of the trust deed that this is not sufficient to justify foreclosure. is it not?

Mr. Gupta.—It amounts to this that if the company wishes to question the action of the trustees I think it is open to them to drag the matter to court. It is always understood that the trustees will exercise all reasonable care to see whether the proposed action is justified. But once they take action, if it is considered *mala fide*, the remedy will be for the Company to go to Court.

President.—So far as you are aware it inevitably follows from the decision of the debenture holders that the Company's property will be taken over for foreclosure, is that so?

Mr. Gupta.—I can only speak on behalf of the Government of Bihar and Orissa and as I have already explained I have had no orders on that point as to what would be their ultimate decision. Government of course will consider the proposals made by the Tata Iron and Steel Company and if they are satisfied that that is the only way out of the difficulty and protect their interests, I presume they will agree to Tata's proposal. but what is going to be the final proposal it is premature for me to say.

President.—You are coming on to the question of the future: I am still discussing the question of the immediate action to be taken. You said it has been decided to take it over and foreclose. It having been decided by the debenture holders that the application should be made, does it necessarily follow that the trustees will order foreclosure so far as you are aware?

Mr. Gupta.—Yes.

Dr. Matthai.—The trustees can order foreclosure if an application is made by a majority of the debenture holders?

Mr. Gupta.—Yes by a majority. There are three debenture trustees so it must be 2: 1. I have already told you that Government of Bihar and Orissa have got two trustees out of three. So, if the Government of Bihar and Orissa come to a decision to foreclose, that means foreclosure is bound to follow.

Dr. Matthai.—Supposing you are not able to reach any agreement with Tatas as regards the proposal for carrying on the business as a going concern, then what would be the position? Foreclosure I understand is settled, that is to say the debenture holders will take over some of the assets of the Steel Wire Products, Limited.

Mr. Gupta.—Yes.

Dr. Matthai.—If no agreement is reached as regards the question of keeping it as a going concern in that case what would be the alternative?

Mr. Gupta.—It is rather a hypothetical case and my feeling is this. Speaking purely on my own I think this Company has got good prospects; all this difficulty would be solved by simply increasing the production provided of course there is protection as there is now.

Dr. Matthai.—You mean Rs. 60 per ton?

Mr. Gupta.—I can't say that but I think it ought to remain where it is. There are so many factors in a manufacturing concern, but given ample finance and efficient management and administration I think I am justified in saying that this Company can make nails at a cost which will enable it to make profits.

President.—When you were speaking of the Company, Do you refer to the Steel Wire Products, Limited, or the present plant if worked by the Tata Iron and Steel Company.

Mr. Gupta.—I mean worked by efficient management; that must be a condition of course. There is a scheme which has been worked out showing what would be the financial aspect of working the factory to its maximum capacity. I do not know whether you have had an opportunity of examining it or not.

Dr. Matthai.—Do you mean the statement of costs on a three shift basis?

President.—Do you refer to the statement of cost on a three shift basis framed by the Wire Company or the statement of cost on two shift basis framed by the Tata Iron and Steel Company?

Mr. Gupta.—I am talking about the three shift basis of the Wire Company, but even if it is worked on two shift basis I think the chances of success are quite legitimate. That is my frank opinion because the process itself is not very complicated and the equipment is certainly quite good but the nail making machines are not quite adequate for three shift, and another battery of nail machines should be ordered and put down; then again the galvanizing plant should be worked. I think given these conditions this Company has got a good chance of making a success.

Dr. Matthai.—What your suggestion amounts to is that if the business of the Steel Wire Products Company were managed with greater efficiency and financed sufficiently then you think they would be able to make a better success of it than they have been able to do so far?

Mr. Gupta.—Yes.

Dr. Matthai.—The other point I want to be clear about is this. The fact that your Government has decided on foreclosure, I take it necessarily implies that your Government is not satisfied with the present management or with the present financial arrangements?

Mr. Gupta.—I should not like to accuse anybody but it amounts to the same thing whether there is a wilful negligence or the financial difficulties are due to the fact that they cannot produce an economic output. So far as the financial success of the enterprise is concerned it practically amounts to the same thing. I do not wish to say anything against the present managing agents but at the same time if the only purpose of a managing agency in India to-day is to get finance and if the managing agents cannot find that finance they are certainly not meeting their share of the responsibility.

Dr. Matthai.—And therefore your Government is making this particular proposal that Tatas should take over the financing of the business. That is really the result of your feeling that the financial arrangements of the present Company are not likely to enable the business to be carried on successfully?

Mr. Gupta.—That is what is proved. The money was given in 1925 March; two years have gone by and they have made little progress. On the other hand if you examine the cost sheets you will find that whereas in December 1925 the cost was something like Rs. 19 a cwt., later on they brought it down to Rs. 11-8-0, that shows that the gap between the selling price and the manufacturing cost rapidly closed up as the production mounted up, as the production goes up the costs go down. That certainly has proved the potentialities of the business. It is only a question of production and still more production.

President.—There is also another reason for the reduction in the production costs and that is the reduction in the price of metal of which the wire is made.

Mr. Gupta.—I dare say the drop in the price of raw material has also helped.

President.—Referring to Dr. Matthai's question as to what would happen in the event of the Government of Bihar and Orissa not agreeing to Tata's proposal, supposing no agreement is possible, will the plant be sold?

Mr. Gupta.—I presume that if the Bihar and Orissa Government cannot come to a suitable arrangement with a view to working this factory and financing it and they are themselves not willing to finance it, then the only alternative will be to wash their hands of it altogether and write off the money spent on it.

Mr. Gupta.—The point I was trying to get at is, would they actually sell the factory or would they wait for a year or so to see whether it is possible for the Tata Iron and Steel Company or somebody else to take the concern over?

Mr. Gupta.—I cannot have time to consider that.

President.—That is a point which has not been considered?

Mr. Gupta.—No, Sir. Government had no opportunity to consider that.

Mr. Gupta.—May I put another hypothetical question? The point is this, I understand Mr. Pearson's proposal is that the debenture holders should contribute towards the working finance of the Steel Wire Products works in the proportion of their debenture holdings. Mr. Alexander told us yesterday that if they took over the business they would try to work up to an output of 5,000 tons a year. Assuming for argument's sake that they are going to take a year and reach to an output of 5,000 tons Mr. Alexander gave us some estimate of costs, of course they are purely estimates, but the estimate comes to somewhere about a works cost of Rs. 104. Generally in our investment circles in the Tata Board we consider that if you are able to find finance to meet the works cost of three months' output, that would give you generally a "float working capital". Assuming that is proved, would mean that with Rs. 104 as works costs on 5,000 tons you might require about Rs. 1,25,000.

Mr. Gupta.—Yes.

Mr. Gupta.—You hold jobs of the debentures so that if you have to contribute towards the finance it would not exceed a lakh of rupees. What I am suggesting is, supposing that was all that was demanded of your Government in respect of finance would the Government have any serious objection to considering Tata's proposal?

Mr. Gupta.—I don't think so, but the question of finance is not entirely in the hands of Government for they will have to go before the legislature and it is very difficult to express an opinion on the point raised by you. But in any case it is quite clear that in an arrangement of this sort the biggest contributor will be the Government of Bihar and Orissa and that is a position which I do not know whether the Bihar and Orissa Government would like to be in.

Mr. Gupta.—In fact if you provided finance in proportion to the debenture holdings you would be almost the sole owners, would you not?

Mr. Gupta.—Exactly, it amounts practically to a State enterprise. The only other contribution we shall have to find means that we shall have to finance the bulk of the fresh working capital and that is purely liquid finance. Then there is the accumulated interest for the year 1925-27 which will have to be foregone and therefore the Government of Bihar and Orissa would have to contribute a good deal more than you tell.

Mr. Gupta.—That is to say if the thing is not run for three or four years during that period, you will be losing interest on the debentures.

Mr. Gupta.—Yes, it is rather a serious position for my Government.

President.—To sum up the position, so far as you are concerned the present company must go into liquidation and it is uncertain whether or not the existing factory will be worked within the next three or four years either by the Tata Iron and Steel Company or by a company formed on the lines suggested by the Tata Iron and Steel Company. It is a matter of entire uncertainty.

Mr. Gupta.—It certainly looks very uncertain now. At the same time I may say this that considering that a way has to be found out of it I am quite sure that the Government of Bihar and Orissa and Tata would put their heads together and be able to come to some satisfactory arrangement. That is my hope.

President.—In the meantime it remains a matter of uncertainty. Mr. Alexander told us sometime ago that it was quite possible that the Tata Iron and Steel Company might themselves take over the present factory but that they might have to keep it closed until they were able to manufacture rods. So that even if you can come to some arrangement, the future is very uncertain, is it not?

Mr. Gupta.—I agree. My personal feeling is that there is a sort of moral responsibility on the part of the Tata Iron and Steel Company in this matter and I am very hopeful that they will come forward and take it over and run it. They cannot very well get a going plant all ready to work at a price cheaper than at which they can get it now. As diversification is their aim they will ultimately have a plant for the manufacture of nails and wire products, etc., and if they have to pay the full amount of the debentures, even then, they are getting it very cheap. It is only Rs. 8 lakhs all complete. They cannot possibly put down a plant of their own now or at any time in the future for that amount.

Dr. Matthai.—You have not had any more recent valuation that Mr. Burkinshaw's?

Mr. Gupta.—No. As a matter of fact Rs. 60,000 odd worth of new machinery has been added since, so that if there has been any depreciation the assets would fully cover that. Moreover the plant has not been worked very heavily and consequently depreciation has been very small. But the important fact is that there is an organization already in existence. If Tatas build a new plant, they will agree with me from their experience that they will have to spend a lot of money before they can bring their factory up to the same pitch of efficiency as that of this one.

Dr. Matthai.—On the present facts what is likely to happen?

Mr. Gupta.—I think notice will issue almost immediately. The only thing that we want to be clear about is where we are heading to. To serve a notice is very easy but what is going to happen after that? That is the consideration. Of course the present Managing Agents have now been negotiating with various firms and so forth and it is possible the arrangements might be quite satisfactory. I don't know. These things I have not had any time to consider. If this investigation were taking place a month hence, I would have been in a better position to give you something definite.

President.—It is unfortunate that our time is limited. We have to send in our report for the August session.

Mr. Gupta.—Quite so.

Dr. Matthai.—The principal consideration which has led you to contemplate taking action is the default in the payment of interest. There are various other conditions in your Trust Deed. We had during the last year's enquiry a summary of these various conditions in a letter your Government sent to us. That is more or less a correct summary.

Mr. Gupta.—I have not got a copy of the Trust Deed. Have you seen the latest balance sheet?

Dr. Matthai.—No.

Mr. Gupta.—I have a copy here. The position is not bad excepting that they have no working capital. In fact the loss has been written down to Rs. 28,000 up to 31st July last. Out of a loss of Rs. 90,000 they have written down Rs. 60,000. About Rs. 28,000 and odd is the nett loss. This doesn't give you the legal loophole and so forth.

Dr. Matthai.—These conditions have been more or less observed by the Company.

Mr. Gupta.—Yes, the main thing is the writing down of the block and so forth.

Dr. Matthai.—What about further machinery for increasing the production of nails?

Mr. Gupta.—It is unnecessary that this factory should work 3 shifts to yield a profit.

President.—Taking this abnormal figure of 16,000 tons in 1925, practically 7,000 tons of nails went to Rangoon.

Dr. Matthai.—I was looking up a later year. In 1926-27 the Rangoon consumption has gone down to 1,500. There was something exceptional in that year.

Mr. Gupta.—What is the market for galvanized wire?

Dr. Matthai.—They don't give it separately. You have got plain and galvanized together.

Mr. Gupta.—There is not much market for hard bright wire.

Dr. Matthai.—From the Trade Returns we can't tell.

Mr. Gupta.—I am told the demand for galvanized wire is really very great here.

President.—For steel wire (other than fencing wire) the latest figure is 5,700. In 1925-26 it was 6,600. The year before it was 6,500 and the previous to that it was 5,500.

Mr. Gupta.—The Munition Board materials were released in large quantities in India. I mean to say at the close of the war the Munition Board had very large quantities of these things on hand and that may have reacted on the imports.

President.—Most of the war stores were liquidated by 1920-21.

Mr. Gupta.—They may have been liquidated so far as Government are concerned, but the dealers might have had large stocks in hand and released them gradually and the result is that the imports have gone down.

President.—Would it have taken 9 years?

Mr. Gupta.—I was told by the owner of a tannery in England who passed through India last winter that the Munition Board's leathers had just finished being disposed of. It has taken so many years.

President.—You cannot give us anything definite.

Mr. Gupta.—I cannot. You are in a better position than I am. I am only making a suggestion to you. We have given this money purely from the point of view of encouraging a deserving industry and our disappointment is very very keen indeed. It will be a pity if, after giving this money, suffering all this loss, the industry is dead. I should not like to say anything here which would make the chances of success for this industry less. There is no doubt that even if the Tatas would work this factory, they would like to have protection until the industry has established itself beyond doubt.

President.—Mr. Alexander gave us evidence this morning on this point. So far as that statement goes, when the Tata Iron and Steel Company are in a position to manufacture steel rod out of which wire and wire nails are made, he considers that they would be able to produce their wire at a price which, while not giving them perhaps the full profit which we take into account in our fair selling price, would yet leave them with some small margin of profit over and above their works cost and their full overhead.

Mr. Gupta.—On the wire rod.

President.—On the wire, i.e., even without protection.

Mr. Gupta.—But that would not operate for the next three or four years.

President.—Until they manufacture wire rod.

Mr. Gupta.—The decision of the debenture holders to come to some arrangement to work the factory would be greatly influenced by your recommendation. All our calculations would be thrown out if we find that protection has been withdrawn. Our position in that case would be even more precarious. Then now on the one hand we cannot give you any definite assurance and on the other hand we cannot possibly think of any arrangement for working the factory without knowing the policy of Government as regards protection. If I may say so, it is a sort of vicious circle.

President.—We appreciate that fully. Would you kindly keep us informed as to any developments which may occur, because there is still perhaps a fortnight or three weeks before we finish our report and in the meantime it might be of some importance to us to know if any thing further occurs.

Mr. Gupta.—If anything definite has been arrived at, I shall inform you. If you don't hear from us, you will know that we are still considering the matter.

The remuneration of a Director will be Rs. 16 for each meeting he attends. The Directors shall also be entitled to receive in each financial year of the Company such further sum or commission as may be equal to 2½ per cent. of the nett profit of the Company in that year to be divided among the Directors equally.

Managing Agency will be vested in a Company entitled the Associated Indian Trading Company. One of the partners Mr. A. T. Ganguli has been the selling agent to the Indian Steel Wire Products, Limited, Tatanagar, for the last four years and has thorough experience of the market and also of the working of a wire mill.

The remuneration of the Managing Agents shall be a minimum sum of Rs. 600 per month. The Agents shall also be entitled to 10 per cent. of the nett profit of the Company. All rent and establishment charges in respect of the Company's Calcutta offices shall be borne and paid by the Company.

One of the Directors, Dr. K. L. Ganguly, M.Sc., Dr. Eng. (Munich), who is an expert in the line and has vast Continental experience of the wire nails industry has kindly consented to give us the benefit of his experience.

Commission for selling the shares of the Company will not exceed 5 per cent. on the face value of the shares.

The preliminary expenses are estimated to be Rs. 5,000.

Enclosure No. 2.

A wire mill at Calcutta run on economic principles must be paying.

As has been recognised by the Indian Tariff Board Wire and Wire Nail Industry in India is of national importance. This particular industry is now a protected one. Protective duty at Rs. 60 per ton has been imposed on imported wire products while the duty on rods for the manufacture of wire products in India has practically been lifted—the same being fixed at 10 per cent., *ad valorem*. There is ample scope for many mills of the proposed dimensions in India. Not less than 16,000 tons wire and wire nails are annually imported into the Calcutta market alone. Messrs. Indian Steel Wire Products, Limited, Tatanagar, who are the only manufacturers in the line have not yet been able to produce more than 10 per cent. of the imported good per year.

A wire mill at Calcutta has many decided advantages over a wire mill at Tatanagar. In para 20 of the Report of the Indian Tariff Board regarding the grant of protection to the Wire and Wire Nail industry we read "But the big market for nails is in Calcutta, and here the Jamshedpur factory has the double disadvantage of the railway freight on the raw materials and the return freight on the nails made from it, the two together amounting to about Rs. 32 a ton. The handicap is very great, and to enter the Calcutta market successfully would involve a serious sacrifice". All stores have to be purchased at Calcutta and carried to Tatanagar. For packing the cost is nearly double of what could be arranged at Calcutta. The manufacturers at Tatanagar have to pay exorbitant taxes for water supply, Board of Works, etc., that could be saved at Calcutta.

Messrs. Indian Steel Wire Products, Limited, Tatanagar, have purchased their experience at a very heavy cost, but they have paved the way for others who could avoid all mistakes that are generally committed by the pioneers. A wire mill at Calcutta at the present day has therefore a bright future before it.

Enclosure No. 3.

Estimate of a Wire Nail Factory, equipped with complete wire drawing arrangements.

A. Block Account.

	Rs.
(1) Factory house	50,000
(2) Cleaning, annealing and wire-drawing arrangements including boiler and electric motors as per quotations from Germany	70,000
(3) Wire-nail making machines with Motor etc., as per quotations from Germany	75,000
(4) Construction costs (labour and materials)	25,000
(5) Transport wagon (Light railway materials)	5,000
(6) Electric installation (switch board lighting, etc.)	5,000
(7) Return passage and pay of two German mechanics for one year	12,000
(8) Water reservoir	5,000
(9) Commission and brokerage	25,000
(10) Furniture and miscellaneous	1,000
	<hr/>
	2,73,000

B.—WORKING CAPITAL.

Revenue expenditure for six months	2,00,000
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TOTAL Rs. 4,73,000

A capital of 5 lakhs will therefore be necessary.

Enclosure No. 4.

Estimated Profits.

The machinery to be used will give us a guaranteed output of 10 tons, wire and nails per day of 8 hours or 250 tons a month of 25 days working. Out of this 62½ tons will be sold as wire and 187½ tons as nails.

The cost of the finished products will be as shown below:

	Rs.
250 tons 2" wire rods at Rs. 100 per ton	25,000
2 Engineers at Rs. 250 a month	500
25 Mestries (for nail making and wire drawing) at Rs. 45 each a month	1,125
30 Unskilled labour at Rs. 20 each a month	600
4 Factory clerks at Rs. 50 each a month	200
4 Dervans at Rs. 25 each a month	100
Managing Agent's remuneration	300
Calcutta Office	50
Transportation cost	50
Power	50
Packing nails and wire at Rs. 150 a cwt. on the average	2,500
Coal and supplies of lubricants, etc.	2,000
Rent	50
Depreciation and Contingencies	1,000

Total cost for 250 tons 35,000
 i.e., for 1 ton 140
 or for 1 cwt. 14

The average price for wire and wire nails in the worst market during the last 5 years was Rs. 10-8-0 per cwt. In the best market during the said period wire and wire nail fetched as much as Rs. 14 per cwt. on the average. Even supposing that competition will drive us to sell our products at an average price of Rs. 10 per cwt. we shall get a clear margin of Rs. 2-12-0 per cwt. or Rs. 55 per ton. The annual income of Rs. 1,65,000 (i.e., over an annual production of 3,000 tons at Rs. 55 a ton) is therefore assured. This on a capital of Rs. 5 lakhs represents a dividend of 33 per cent.

Making allowance for all sorts of unforeseen contingencies it is therefore safe to take that the Company will be in a position to pay a dividend of 25 per cent. to the shareholders after a year's working. As the management will observe economy throughout this estimate may err only on the safe side.

(2) *Statement showing c.i.f. prices of nails during 1925-26 and 1926-27.*

c.i.f. prices per ton current during

1925-26.

1926-27.

Maximum. Minimum. Maximum. Minimum.

£ s. £ £ s.

Sizes of nails—

1", 1½", 1½", 2", 2½", 3", 4", 5", 6" . 11 10 11 12 11 0

(Usual corresponding wire gauges—

15, 14, 13, 12, 11, 10, 9, 8, 7 . 9 10 9 10 9 5

Rod for drawing wire of above sizes—

No. 5 6 10 6 7 6 0

MESSRS. GANGULI AND COMPANY.

B.—ORAL.

Evidence of Mr. A. T. GANGULI and Dr. K. L. GANGULI, recorded at Calcutta, on Wednesday, the 27th April, 1927.

Introductory.

President.—You are one of the partners in Messrs. Ganguli and Company?

Mr. Ganguli.—Yes.

President.—Your firm deals in what?

Mr. Ganguli.—In hardware generally.

President.—And they are agents for the Steel Wire Products, Limited?

Mr. Ganguli.—Yes.

President.—How long ago was your firm established?

Mr. Ganguli.—Six years.

President.—Its headquarters is Calcutta?

Mr. Ganguli.—Yes.

President.—In your representation you have not definitely put forward any claim; your representation is more a statement of intention?

Mr. Ganguli.—Yes.

President.—And really what you ask is information as to what the intentions of the Board are in respect of continued protection?

Mr. Ganguli.—That is so.

President.—So that really no claim has been put forward?

Mr. Ganguli.—I was personally present when Mr. Capadia was examined on the last occasion. We have sent in our representation for the consideration of the Board so that in case protection remains where it is now we might undertake to work out the scheme.

President.—So far you have taken no steps to establish the mill?

Mr. Ganguli.—As we have said in our representation about 75 per cent. of our capital is already subscribed; we have arranged for the most up-to-date machinery and the machinery manufacturers have agreed to send their own mechanics to start the work so that we can float in a day.

President.—Actually your scheme is held up until the Board's report on the Steel Wire Products, Limited, is published?

Mr. Ganguli.—Yes.

Proposal to establish factory.

President.—You propose to manufacture your wire out of imported rod?

Mr. Ganguli.—Yes.

President.—And your nails out of imported rod or imported wire?

Mr. Ganguli.—We want to import rod and draw wire and out of that manufacture nails.

President.—You will not import wire in order to manufacture the nails?

Mr. Ganguli.—No.

Advantages of Calcutta site. Freight.

President.—You have stated in your application that advantages over any firm which does wire manufacture advantages are, you say, the d

also apply to imported rods, packing and water supply and also Board of Works. These are the main advantages that you claim?

Mr. Ganguli.—Yes.

President.—Can you give us any idea in rupees of the total amount of the advantages per ton on freight and stores?

Mr. Ganguli.—The total amount of stores is Rs. 2,000 including coal, so that on an output of 250 tons I think the difference will be nominal. The freight on raw materials is considerable.

President.—So that really we need not take that into account in comparing the advantages of the situation as you say?

Mr. Ganguli.—No.

Packing.

President.—As regards packing, that is a fairly serious item, at any rate in the manufacture of nails. Do you propose to sell your nails loose or in packing cases?

Mr. Ganguli.—We propose to sell them packed in cases as the Steel Wire Products are doing.

President.—We have had evidence in the past as to the cost of each keg in Jamshedpur.

Mr. Ganguli.—That was one rupee per cwt.

President.—In what way could you economise that?

Mr. Ganguli.—Just at present we supply kegs to the Indian Steel Wire Products. We manufacture the kegs here and send them in wagon loads to Tatanagar and repack them there with lids. We have expert packers there who pack them.

President.—What do you charge the Steel Wire Products?

Mr. Ganguli.—One rupee a keg. It costs us approximately 0-14-6 all told at Tatanagar.

President.—Is that your cost price?

Mr. Ganguli.—Yes, but if we did it at Calcutta we could do it at 0-11-6.

President.—That 0-14-6 includes railway freight, handling charges and everything else?

Mr. Ganguli.—Yes; the rest is our profit.

Water Supply, etc.

President.—Take water supply and Board of Works. The actual expenditure on that is very small. These estimates are for three shift production. The estimate is Rs. 800 for land rent and for water Rs. 1,200. Would you save very much on that?

Mr. Ganguli.—Up till now they have been working one shift only, and I think they have to pay Rs. 8,000 on board of works and nearly as much for water supply.

President.—The charges are not given in detail under these heads. Where do you get these figures from?

Mr. Ganguli.—There is no direct evidence, but that is my impression.

Dr. Matthai.—Did you get these figures from their costs?

Mr. Ganguli.—I know all about their costs though my figures may not be absolutely correct.

President.—I cannot find anything in their costs anywhere to indicate this figure exactly. Their monthly charge for water is Rs. 1,200 and land rent and board of works Rs. 800 between them; that is a total of Rs. 2,000 a month or Rs. 24,000 a year for three shifts.

Mr. Ganguli.—They will have to pay the same for one shift, I think.

President.—What economy would be possible on that?

Mr. Ganguli.—We pay nothing for board of works.

Land Rent.

President.—And land rent?

Mr. Ganguli.—That is Rs. 350 per month. We inspected several sites and the Port Commissioners' land at Behala which may be available would cost us Rs. 350 per month.

President.—Can you give us an estimate out of this Rs. 24,000 what amount of saving you would effect?

Mr. Ganguli.—Rs. 15,000 out of that I should think. If the Tata Iron and Steel Company manufacture rods as they promised and give us that in three years we shall be handicapped because if for the purposes of protection we have to take Tatas rod we shall have to pay freight from Tatanagar to Calcutta and that will mean an increased freight on all goods sent to upcountry stations. With this handicap Calcutta will be an unfavourable position.

President.—This is a fresh point you have raised. It is your intention to use imported rod, is it not?

Mr. Ganguli.—If we were allowed to use imported rods for all time to come we would use imported rod. But if for purposes of protection Government insist on our using Indian rod of Tatas manufacture then in that case Calcutta will be an unfavourable location.

President.—Exactly in what way? Supposing Tatas produced rods; they will have to sell their rods in competition with the imported rod and their price in Calcutta would be limited by the price of the imported rod?

Mr. Ganguli.—That is very doubtful because Tatas products are sold at a higher price than Continental products.

President.—Then you would not buy there?

Mr. Ganguli.—Not unless we are compelled to buy Indian rod for the purposes of protection.

President.—You mean to say if one of the conditions of protection is that you must use Tata rods whatever the price?

Mr. Ganguli.—Exactly.

President.—It can never be a condition of protection that you should use Tatas rods regardless of whatever prices reasonable or unreasonable are fixed by Tatas. The arrangement is that you would obtain Indian rod at a price at which the imported rod sells in India.

Mr. Ganguli.—That is all right. But I raise the question if they manufacture rods they will probably be selling at the same price as at which they have contracted to sell to the Indian Government. In addition we shall have to pay freight from Tatanagar to Calcutta.

Dr. Bhabha.—The Indian Government would prefer to pay a price that the imported price corresponded to the present current price. If you enter into a contract you will have to pay a price that is reasonable. There is no reason why you should pay the price which the Indian Government would pay.

President.—I am not competent to see any particular kind of rod in the general course of trade, an agreement that will be Tatas would be forced to sell at the Calcutta market at the import price. Is that correct?

Mr. Ganguli.—That is so.

Dr. Bhabha.—You are asking to have this as a public Government.

Mr. Ganguli.—Yes.

Dr. Bhabha.—You have not established your right to do so.

Mr. Ganguli.—Yes.

Dr. Bhabha.—I am not competent to see any particular kind of rod in the general course of trade, an agreement that will be Tatas would be forced to sell at the Calcutta market at the import price. Is that correct?

Mr. Ganguli.—Yes.

Dr. Matthai.—And you say in your written representation that if we decided to withdraw protection then you would abandon the idea?

Mr. Ganguli.—Yes.

Dr. Matthai.—If we reduced protection? Supposing we reduced the duty from Rs. 60 to Rs. 40 would you abandon the idea?

Mr. Ganguli.—We shall still undertake to work the scheme and then after a year or so if we find that we are losing we shall have to ask for further protection.

Estimates of Costs.

Dr. Matthai.—Your estimates with regard to costs have been worked out carefully?

Mr. Ganguli.—Yes.

Dr. Matthai.—We may take that as a reasonable estimate?

Mr. Ganguli.—Yes.

Dr. Matthai.—Your estimate is Rs. 144 a ton?

Mr. Ganguli.—Yes.

Dr. Matthai.—You take the average price of wire and nails as Rs. 10 a cwt., that is Rs. 200 a ton: out of that leaving out Rs. 60 the duty, you get Rs. 140 isn't that so?

Mr. Ganguli.—Yes.

Dr. Matthai.—Supposing we simply reduced the duty to a revenue duty of 10 per cent.; then you add Rs. 14 to Rs. 140. That gives you Rs. 154. That will leave you a profit of Rs. 10 per ton?

Mr. Ganguli.—If we can keep close to these figures we can do that.

Dr. Matthai.—You have not got the actual costs and we must proceed on your reasonable estimates, so that at a revenue duty of 10 per cent. you get per ton a profit of Rs. 10. Supposing you worked two shifts and produced 6,000 tons. That means you are going to get a profit of Rs. 60,000 a year. Now your total capital is Rs. 5 lakhs and therefore you make a profit of 12 per cent. 12 per cent. is a very fair profit, is it not? Then why do you want protection?

Mr. Ganguli.—These figures we have worked out in a general way. The price of rod is higher at the present moment.

Dr. Matthai.—So is the price of wire?

Mr. Ganguli.—Not for nails. We have to convert most of the rod into nails.

Dr. Matthai.—Supposing we reduced the duty to Rs. 40 per ton you will still consider the scheme?

Mr. Ganguli.—Yes.

Dr. Matthai.—You have selected the machinery but you have not ordered it?

Mr. Ganguli.—That is so. If we float the Company our Dr. Ganguly will proceed to Germany, select the machinery and select the experts and bring them to India with him.

Dr. Matthai.—You have approached certain gentlemen for appointment as directors?

Mr. Ganguli.—Yes.

Dr. Matthai.—You have 75 per cent. of the proposed capital already subscribed?

Mr. Ganguli.—Yes. We have received promises.

Dr. Matthai.—The bulk of that from these directors?

Mr. Ganguli.—From zemindars and other rich people. One of the zemindars will be a director.

Dr. Matthai.—You have not yet considered the selection of a site for the factory?

Mr. Ganguli.—We have seen two or three places and the best place seemed to be on the Shalimar side where the Bengal Bridge and Bolt Company was. The sheds are there with everything complete, water supply and so on. If we took that we would be making a saving in capital expenditure.

Dr. Matthai.—You are going to lease it?

Mr. Ganguli.—Yes.

Dr. Matthai.—What is the site likely to cost you?

Mr. Ganguli.—Rs. 350 a month.

Existing business.

Dr. Matthai.—You have told us that you have been doing business for six years as general hardware merchants. You deal in imports of all kinds of steel?

Mr. Ganguli.—Not steel exactly, but hardware: barbed wire, galvanized wire, fencing wire and so on.

Dr. Matthai.—You don't deal in bars or sections?

Mr. Ganguli.—No.

Dr. Matthai.—Simply wire products. At present you are both importing these and also selling the Jamshedpur wire and nails and in addition to that you propose to manufacture your own wire?

Mr. Ganguli.—Yes.

Plant.

Dr. Matthai.—The plant which you propose to instal, you told the President, is for the purpose of drawing wire and making nails out of that wire, that is to say the plant at present has enough wire drawing capacity for all the wire required for the production of nails. Is that correct?

Mr. Ganguli.—Yes. The machinery manufacturers have guaranteed 10 tons of wire for a day of 8 hours.

Dr. Matthai.—All this machinery is German machinery?

Mr. Ganguli.—Yes.

Dr. Matthai.—You say it is a continuous wire drawing machine?

Mr. Ganguli.—Yes, but we now find that we have to keep some single blocks as well as some continuous blocks.

President.—When you drew up this prospectus, you expected that you would draw all the wire required on continuous machines. How many continuous machines have you?

Mr. Ganguli.—Continuous machines we have only two.

President.—What is the capacity of these machines?

Mr. Ganguli.—2½ tons.

Dr. Matthai.—Per shift of 8 hours?

Mr. Ganguli.—Yes.

Dr. Matthai.—Do you know the continuous machines at Jamshedpur?

Mr. Ganguli.—I have seen them.

Dr. Matthai.—Is your about the same capacity?

Mr. Ganguli.—Almost the same.

Dr. Matthai.—You say one machine could draw 2½ tons of wire per shift of 8 hours. Then for a month of 25 days how much would that mean?

Mr. Ganguli.—About 75 tons.

Dr. Matthai.—Each machine?

Mr. Ganguli.—Yes.

Dr. Matthai.—That gives you 150 tons of wire.

Mr. Ganguli.—Yes, on the two machines.

Dr. Matthai.—The total capacity of your plant according to the prospectus is 250 tons.

Mr. Ganguli.—In addition to the continuous machines we are going to have 10 single blocks.

Dr. Matthai.—The cost of that you have included.

Mr. Ganguli.—Yes.

Dr. Matthai.—You have no idea at present of including any plant for making galvanised wire.

Mr. Ganguli.—We are considering that.

Dr. Matthai.—In the prospectus you don't include that.

Mr. Ganguli.—In the prospectus we at present say, we are going to manufacture plain wire and nails, after that galvanised wire, barbed wire, fencing wire, wire netting, etc.

Dr. Matthai.—At Jamshedpur they have a plant for galvanising wire.

Mr. Ganguli.—Yes.

Dr. Matthai.—Have you any idea of what that would cost?

Mr. Ganguli.—The galvanising plant itself doesn't cost much, but the process of galvanising is rather costly.

Dr. Matthai.—You have attempted no estimate of that.

Mr. Ganguli.—No.

President.—Is galvanising a difficult process?

Mr. Ganguli.—Not a difficult process, but it is a costly process.

President.—I am asking you whether it is a difficult process, because the Tata Iron and Steel Company have found considerable difficulty in turning out their galvanised sheets. Would there be similar difficulty in turning out your galvanised wire?

Mr. Ganguli.—The Indian Steel Wire Products, Limited, have not galvanised yet. I understand they are getting a heavy consignment of rods now. After they get that, they will try galvanising, because they expect big orders from the Government. One difficulty is the machine must run continuously for 24 hours.

Dr. Matthai.—Supposing you decided to start this business, would you set up the whole of this plant straight away?

Mr. Ganguli.—Of course, I would.

Dr. Matthai.—Or have you any idea as to the order in which you would take up?

Mr. Ganguli.—The whole of the Wire Drawing Department we will have to undertake immediately.

Dr. Matthai.—Nails you would put up later.

Mr. Ganguli.—Nail machines would come along with wire drawing machines, but we may not be getting all the machines at a time. If we in the meantime found it more profitable to galvanise wire,.....

Dr. Matthai.—Leave out galvanised wire for the moment. Take simply wire and nails. If you were starting the business say, next year, would you start with both wire and nails?

Mr. Ganguli.—Yes, simultaneously.

Dr. Matthai.—All the machines required for the whole of this capacity that you have mentioned would be set up.

Mr. Ganguli.—Yes.

Quality of the Jamshedpur Company's Products. Market Conditions.

Dr. Matthai.—Now you have been selling the Jamshedpur wire and nails in the Calcutta market?

Mr. Ganguli.—Yes.

Dr. Matthai.—How do they compare in quality with the imported wire and nails? Do you find any difficulty in selling their products in Calcutta?

Mr. Ganguli.—Originally we had difficulty, but now there is very little difficulty.

Dr. Matthai.—By "originally" how long ago do you mean?

Mr. Ganguli.—Three years ago.

President.—That is when they were first started.

Mr. Ganguli.—Yes.

President.—Then you had some difficulty.

Mr. Ganguli.—Yes.

President.—What was the difficulty?

Mr. Ganguli.—The nails were irregular and the wire was not nicely drawn.

President.—Do you sell any of their wire?

Mr. Ganguli.—Yes, both wire and nails.

President.—Have you had any difficulty last year in selling their wire?

Mr. Ganguli.—We never sold to Government. We sell to private Companies and they complain that the wire is full of notches.

President.—I understand in the course of the last 12 months they have been carrying very large stocks of wire and have not been able to dispose of them. Have you anything to say on that subject?

Mr. Ganguli.—They had not much wire left with them, but nails they had.

President.—Last year they stated they were carrying large stocks and that was one of the reasons for their working capital being locked up.

Mr. Ganguli.—Generally the market is very dull from June to November.

President.—Is that the same for the wire market?

Mr. Ganguli.—There is not much sale for wire, it is only 5 per cent. of the nails that can be sold.

President.—Taking the Calcutta market and the upcountry market together, would you say that the proportion of wire to nails that can be sold would be about 5 per cent.?

Mr. Ganguli.—Yes, on the whole.

President.—So that the amount of wire which can be sold as such would be very limited.

Mr. Ganguli.—Yes. Out of 250 tons we put 62½ tons for wire and 187½ tons for nails.

President.—I am speaking of the Steel Wire Products. In their case the reasonable proportion would be the same.

Mr. Ganguli.—Yes, considering the amount they have supplied to Government it comes to about 50 per cent.

President.—Do you think half and half is more reasonable, because they have supplied to Government?

Mr. Ganguli.—Yes.

President.—Is it to the Army Department?

Mr. Ganguli.—To the Indian Stores Department.

Dr. Matthai.—It is true if you take the Bengal market the bulk of the market for nails is Calcutta.

Mr. Ganguli.—Yes.

Dr. Matthai.—Therefore you say for a factory like the Steel Wire Products which is situated upcountry the market for nails is rather more difficult for them.

Mr. Ganguli.—For Bengal Calcutta is the market. The consumption of nails is more in the upcountry market.

Dr. Matthai.—Do you generally have to sell to dealers in Calcutta?

Mr. Ganguli.—What we generally do is this. There are dealers in Calcutta who make contracts with us, but the goods are booked straight from the factory.

President.—Then this question of freight on the nails to Calcutta market does not arise. It has been alleged both in this enquiry and in previous enquiries that the Steel Wire Products suffer inasmuch as they have to send their nails to Calcutta and pay the freight on them before they can sell them. I understand from you who are their selling agents that although you make contracts with them the nails are despatched direct to upcountry so that the question of freight doesn't arise.

Mr. Ganguli.—It does, because all the nails will not be going out to the upcountry market. 50 per cent. of these goes to Calcutta and 50 per cent. to upcountry stations.

President.—Of wire nails.

Mr. Ganguli.—Yes.

President.—So that this freight disadvantage extends only in so far as 50 of their production of wire nails is concerned and not at all as regards their production of wire.

Mr. Ganguli.—Wire is sold in Calcutta and not upcountry. Wire cannot be sold in upcountry stations at all.

Dr. Matthai.—Why not? They would require a lot of wire for various purposes.

Mr. Ganguli.—If the wire is galvanised, it can be sold. For annealed and hard wire the market is only in Calcutta. Hard bright wire is generally used by the manufacturers of iron pans and buckets. 7 to 9 Gauge Wire is used in making pan-handles. 10 to 12 Gauge Wire is used round about the rims of buckets.

President.—There has been evidence in the past that bright wire has all practically been sold upcountry. As regards the wire the Company has an advantage over a Calcutta Company, because they send their bright wire upcountry.

Mr. Ganguli.—We are their selling agents. We have not sold one cwt. upcountry.

President.—Do they sell any of their wire direct without the intervention of the selling agents?

Mr. Ganguli.—Yes, to the Indian Hume Pipe Company which is located at Jamshedpur. They are the biggest consumers of annealed wire.

President.—They are not working now.

Mr. Ganguli.—They are working now. Previously it was named the Hume Pipe and Concrete Construction Company. Now it is the Indian Hume Pipe Company.

President.—What do they use it for?

Mr. Ganguli.—For the manufacture of Hume Pipes. The pipe is of wire and concrete is put on it.

President.—That is re-inforced.

Mr. Ganguli.—Yes.

Dr. Matthai.—You are, I take it, one of the biggest dealers in wire in Calcutta.

Mr. Ganguli.—Yes.

Dr. Matthai.—From your experience do you think that the main market for wire in Bengal is Calcutta?

Mr. Ganguli.—Yes.

President.—Could you give us any estimate of the amount of wire disposed of by the Steel Wire Products independently?

Mr. Ganguli.—Including the Government order?

President.—In the upcountry market including Tatanagar.

Mr. Ganguli.—I have no idea if they sell upcountry to anybody else except to the Indian Hume Pipe Company at Tatanagar. Of course they started only a year back. I think they consume about 400 to 500 tons a year.

President.—And you sell how much on their behalf on an average.

Mr. Ganguli.—We sell 400 to 500 tons in the Calcutta market.

President.—So that about half their work is sold in Calcutta and half in upcountry.

Mr. Ganguli.—Yes, in Tatanagar only.

Dr. Matthai.—Your machinery is German.

Mr. Ganguli.—Yes.

Dr. Matthai.—Where did they get the machinery from?

Mr. Ganguli.—From America.

Dr. Matthai.—Is it supposed to be more efficient than yours?

Mr. Ganguli.—We think our machinery is most efficient.

Dr. Matthai.—One of your partners has had considerable experience in Europe.

Mr. Ganguli.—Yes, in Germany. He has visited America and other places also.

Dr. Matthai.—And you don't think there is any difference in point of efficiency between the American machinery and the German machinery.

Mr. Ganguli.—No. One thing that strikes us is that all wire products from Germany and Belgium sell at cheaper prices than American products, so that the machinery must be equally efficient.

Dr. Matthai.—It may not be entirely due to machinery, because the level of wages in America might be higher. The European countries have the exchange advantage. Have you looked at the question carefully?

Mr. Ganguli.—Our expert Dr. Ganguli was telling me that German machines are as good as if not better than any American machines. Of course we have got quotations from American firms who have supplied machinery to the Indian Steel Wire Products.

President.—What is the difference in price for machinery corresponding to yours.

Mr. Ganguli.—Exactly double the price. Moreover it is expensive to work their machinery.

Dr. Matthai.—It is simpler to work the German machinery.

Mr. Ganguli.—Yes.

President.—In your application you say "Not less than 16,000 tons of wire and wire nails are annually imported into the Calcutta market." Looking at the trade returns we get nails 3,706 tons and wire 3,084 tons.

Mr. Ganguli.—The year before was abnormal.

Dr. Matthai.—I have got the figures for all the years from 1923-26.

Mr. Ganguli.—Does that include galvanised wire?

Dr. Matthai.—Yes, it does.

President.—1920 as the biggest import for steel wire other than fencing wire, which is 4,000 tons. You can put it as 7,000 tons as against your 16,000 tons.

Mr. Ganguli.—Wire and wire mails together.

President.—Together it would be about 7,000 tons, that is to say excluding fencing wire and wire rope which are not protected. You may add 1,000 or 2,000 tons for Government stores. In that case it will come up to 9,000 tons. What is your estimate of 16,000 based on? Have you any definite figures to go on or is it merely an expression of your opinion.

Mr. Ganguli.—My impression has always been that last year it was not so much, but 4 or 5 years before that not less than 5,000 to 6,000 tons of nails only were imported into the Calcutta market.

President.—This is not based on any official figures or trade returns. You do not claim it to be more than your general opinion.

Dr. Matthai.—How exactly did you estimate this 16,000 tons?

Mr. Ganguli.—We know all the big importers in Calcutta.

Dr. Matthai.—They import barbed wire too. Have you included that?

Mr. Ganguli.—No.

Dr. Matthai.—Stranded wire.

Mr. Ganguli.—No.

Dr. Matthai.—Wire rope you have not included.

Mr. Ganguli.—No. We have included plain annealed wire, galvanised wire, hard bright wire and nails.

President.—If we take the market at 7,000 tons which seems a fairly reasonable estimate according to trade returns and add 2,000 tons as Dr. Matthai suggested making it 9,000 tons, do you think that there is room for two wire nail factories?

Mr. Ganguli.—If the Indian Steel Wire Products were working 3 shifts, they would be manufacturing about 12,000 tons a year.

President.—Supposing an effort is made to work three shifts at the Steel Wire Products Company's works, would they be able to dispose of that amount taking into consideration the two other nail factories which will work on imported wire?

Mr. Ganguli.—Our impression is that there is scope for more than one nail factory.

President.—Actually at any rate until the consumption expands there would be very severe competition between your mill and the Steel Wire Products.

Mr. Ganguli.—There is likely to be.

President.—I take it if you are producing about 3,000 tons and the Steel Wire Products about, say, 10,000 tons, the two Companies would find it very difficult to dispose of the whole of their output.

Mr. Ganguli.—That question might arise, if the imports came to only 9,000 tons. A good lot is coming through Bombay and Karachi. The products of the Steel Wire Products Company are selling in the Punjab and Karachi markets.

Dr. Matthai.—The Karachi market is very very small. I think that figures for both wire and nails will come to about 1,000 to 1,200 tons. There is not much demand. The really important market would be Bombay or Rangoon.

President.—You would find it difficult to compete in the Rangoon or Bombay market.

Mr. Ganguli.—If wire nails exported from India to Rangoon were subject to the duty, then of course it would be difficult.

President.—There will be no duty on nails imported into Rangoon from India.

Mr. Ganguli.—Then, it would be possible to find a market for our products in Rangoon.

President.—Do you think that you will be able to sell in competition with the imported nails?

Mr. Ganguli.—Yes.

President.—Have you ever done so far?

Mr. Ganguli.—No, because their cost of production is still high.

President.—Do you think that their cost of production is very high?

Mr. Ganguli.—Of course it has been high.

President.—Do you think that if the Indian Steel Wire Products were working only one shift, then there would be room for you to dispose of the whole of your production?

Mr. Ganguli.—Yes.

President.—There would be no severe competition in that case.

Mr. Ganguli.—In order that the Indian Steel Wire Product Company may live, they must work more than one shift, otherwise they cannot compete in the open market.

President.—But you propose to run only one shift.

Mr. Ganguli.—We do not know whether there would be room for us but our idea is to replace a quantity of wire and wire mesh imported every year. We think that there would be no difficulty in disposing of a few thousand tons of our products.

Dr. Matthai.—If you started the factory in Calcutta, you would be in such a position of advantage as compared with the Steel Wire Products, Limited, in Jamshedpur, that you would be able to get the market which they are expecting to get. There is no room apparently for both. But your expectation is that you will be able to get the better of them.

Mr. Ganguli.—We never took it in that light.

President.—Do you think that there is room for both the Companies?

Mr. Ganguli.—Yes.

President.—Even with three shifts?

Mr. Ganguli.—Yes.

President.—If it is profitable, as you say, for the Steel Wire Products to go on a three shift basis, surely it would be profitable for you too to go on a three shift basis.

Mr. Ganguli.—Of course if we find sufficient market, then we will also work three shifts.

President.—You say there is room not only for your one shift production but also for the three shift production of the Steel Wire Products. You also say that the costs of the Indian Steel Wire Products are very much higher than your estimate for one shift. If you work three shifts, you would be able to reduce your costs very considerably.

Mr. Ganguli.—Of course, the costs would go down.

President.—In that case would you not be able to secure the whole of this market?

Mr. Ganguli.—If they economise and bring down their costs they will also live.

President.—On the figures as they stand at present, you would be able to secure the market.

Mr. Ganguli.—Of course we will be working in Calcutta which is a better place.

President.—You will have certain very big advantages especially as regards packing and so on.

Mr. Ganguli.—Yes.

Dr. Matthai.—May I suggest a possibility? Supposing we continue the protection of Rs. 60 a ton and, as a result of that, you carry out the idea of starting your own factory and the Indian Steel Wire Products begin to increase their output, then the result would be that under the shelter of this tariff there would be such keen competition between you and the Indian Steel Wire Products that neither of you would benefit by the tariff. Both of you will go down.

Mr. Ganguli.—I am not quite sure of that.

Dr. Matthai.—The point is this that for the next two or three years you must consider Bengal as your primary market. The extent of that market is somewhere about 8,000 to 9,000 tons. The full capacity of your works and of the Indian Steel Wire Products, if you both work three shifts, will be very much more than that. The result will be intense competition.

Mr. Ganguli.—If we manufacture more than the market can consume, there will be keen competition.

President.—I understand from your application that you are prepared to experience severe competition and that you think your position will be quite satisfactory—I mean to say that it is a contingency which you have not overlooked.

Mr. Ganguli.—In the matter of competition, we will stand better.

Quotations for Machinery.

President.—As regards your answer to question 3, can you give us copies of the quotations of your plant?

Mr. Ganguli.—We shall send you the quotations later.

President.—You have definite firm quotations.

Mr. Ganguli.—Yes.

Dr. Matthai.—You can also send us the American quotations if you have.

Mr. Ganguli.—Yes.

President.—The factory house is a local quotation.

Mr. Ganguli.—If we are to construct a shed, it would cost half a lakh.

President.—Have you got any tenders for that?

Mr. Ganguli.—Not tenders; but that is an estimate by an expert who is in the engineering line.

President.—Who is your expert?

Mr. Ganguli.—A Calcutta contractor of Messrs. A. K. Aditva and Company.

President.—He will construct that for Rs. 50,000.

Mr. Ganguli.—Yes.

President.—You are not purchasing any land.

Mr. Ganguli.—No. We are only taking a lease.

President.—Is this plant designed for the high speed process?

Mr. Ganguli.—Yes.

Dr. Matthai.—What is your idea of a minimum economic output for a wire factory?

Mr. Ganguli.—The minimum is 3,000 tons a year.

Dr. Matthai.—Your output is practically the same as the output of the factory in Jamshedpur.

Mr. Ganguli.—Practically the same.

Dr. Matthai.—And you think that that is the minimum economic output.

Mr. Ganguli.—Yes.

Dr. Matthai.—Anything below that would not be profitable.

Mr. Ganguli.—No.

Dr. Matthai.—You told me that it might be necessary for you also to have 10 single blocks for wire drawing.

Mr. Ganguli.—Yes.

Dr. Matthai.—Would that necessitate any increase in your other charges?

Mr. Ganguli.—No.

Dr. Matthai.—Would it be necessary to have a larger factory house?

Mr. Ganguli.—No. We have calculated only on the basis of 10 single blocks and two continuous machines.

President.—We were told by the Indian Steel Products that the wastage would be about Rs. 3 and that the present price for wire rods including landing charges would be about Rs. 90 a ton.

Mr. Ganguli.—It is more now.

President.—What is it now?

Mr. Ganguli.—Last time when they purchased it was £6 a ton. It is now £6-10-0 per ton.

President.—In July it was £6-10-0 and in January it was £7 a ton. £7 would come to Rs. 98 allowing for landing charges.

Mr. Ganguli.—Then, the duty will have to be added.

President.—Yes, and that would bring it to Rs. 108 as against your Rs. 100. However you have the latest quotation. Perhaps you would give us the quotation in support of your statement that the present c.i.f. price is £6-10-0. Have you quotations for this month?

Mr. Ganguli.—We shall get you the quotations.

President.—Have you quotations for bright wire? You must have the import prices.

Mr. Ganguli.—For 4 to 14 gauge it is £10 a ton now.

President.—Is that for bright wire?

Mr. Ganguli.—Yes.

President.—Does that include packing?

Mr. Ganguli.—Yes.

President.—What do you allow for the canvas? Canvas is usually extra.

Mr. Ganguli.—5 to 6 annas per cwt.

President.—What does that work out to in shillings for the extra canvas packing?

Mr. Ganguli.—10 shillings a ton.

Dr. Matthai.—When wire is imported, it is almost invariably wrapped in gunny.

Mr. Ganguli.—Yes.

Dr. Matthai.—When they send wire from Jamshedpur to Calcutta they wrap it also in gunny.

Mr. Ganguli.—Yes, for the market but when they supply to Government, they don't wrap it in gunny.

Dr. Matthai.—For the bulk of their sales they have to.

Mr. Ganguli.—Yes.

President.—Is there any difference between the value of the canvas and that of the gunny?

Mr. Ganguli.—The usual practice is to wrap it in gunny.

President.—From England when it is imported it is wrapped in canvas.

Mr. Ganguli.—I have not seen any wire packed in canvas. Very little comes from England.

President.—Is it wrapped in gunny when the imports come from the Continent?

Mr. Ganguli.—Yes.

President.—So that the packing is the same whether it is imported from the Continent or supplied by the Indian Steel Wire Products.

Mr. Ganguli.—Yes.

President.—For the purpose of comparing the import prices and the fair selling price for the Indian Wire Product do you consider from your experience that it would be fair to take Wire No. 8 gauge as a typical product?

Mr. Ganguli.—Yes.

Dr. Matthai.—What is the gauge that they make at Jamshedpur?

Mr. Ganguli.—No. 8.

Dr. Matthai.—Why is that?

Mr. Ganguli.—The wire market is not very big and therefore the quantity imported is not very big so there is sometimes a shortage of stock and the price then demanded is higher.

President.—That is to say the very narrow gauges of wire are of special quality for which there is a comparatively small demand and the price always tend, in a restricted market, to be rather higher. Is the market for nails made out of the corresponding size of wire restricted?

Mr. Ganguli.—No, there is very good demand for that.

Dr. Matthai.—Supposing you take 2" nails; in Germany at present there is a much bigger production of 2" nails and therefore they secure their proper price in the home market with regard to this kind of nails that they make on a large scale, but for the rest they try to dump into India. Would that be a correct explanation?

Mr. Ganguli.—I don't think so because the price is generally an average price. If we import 2" only we will have to pay 25 per cent. more.

Dr. Matthai.—You said the kind of nails coming here are 1" to 6". If you take the various sizes which do you take to be the largest?

Mr. Ganguli.—1½" and 2".

President.—Which kind of nails are produced by the Indian Steel Wire Products, Limited most?

Mr. Ganguli.—Only 1½" and 2".

President.—You will produce the same?

Mr. Ganguli.—We will produce according to the demand; if the demand for nails of these sizes are more we will produce these.

President.—May we take it that any wire and nail factory in India would at the present day produce 1½" and 2" nails? That is to say, the bulk of their production would be of that size?

Mr. Ganguli.—Yes.

President.—And the difference between the import price of nails 1½" to 2" and wire 12 and 13 gauge would be how much?

Mr. Ganguli.—12 and 13 gauge is selling at Rs. 11 and 1½" and 2" nails are selling at exactly the same price.

President.—It would appear then that our previous conclusions are correct so far as the bulk of production of Indian nails is concerned, that is to say, the price at which imported nails of the sizes produced in India are sold are practically the same as the price of the wire from which they are produced. Is that correct?

Mr. Ganguli.—Yes.

Dr. Matthai.—Would it be too much trouble if I ask you to give us a statement somewhat in the following lines—

1—size of nails.

2—wire of the corresponding gauge from which you make the nails.

3—current price this year and price last year, either c.i.f., landed or retail price, but the same price in both cases.

Mr. Ganguli.—I shall give you the maximum and minimum prices during the year.

Bonus paid in Germany on exported wire.

President.—Can you tell us the amount of bonus which is paid in Germany on the export of wire?

Mr. Ganguli.—I cannot give you figures but I understand all wire exported from Germany are protected in that way.

Dr. Matthai.—You have no definite information at all?

Mr. Ganguli.—No.

Selling arrangements as Agents for Steel Wire Products Company.

President.—What is your arrangement with the Steel Wire Products as regards selling? Do you sell on commission?

Mr. Ganguli.—Yes.

President.—What is the amount of your commission?

Mr. Ganguli.—We get $1\frac{1}{2}$ per cent. that is excluding brokerage which comes to 1 per cent., so that we get $2\frac{1}{2}$ per cent. in all.

Dr. Matthai.—You are in touch through some member of your firm with the European market?

Mr. Ganguli.—Yes.

Dr. Matthai.—Recently there has been a combine in Germany—the German Belgian Wire Combine. Do you know anything about it?

Mr. Ganguli.—We do not know very much about it.

Dr. Ganguli.—There is a combine. That was formed year before last.

Dr. Matthai.—Have you any idea how it has re-acted on prices of wire and nails in the export market?

Dr. Ganguli.—I am afraid I cannot give you any accurate information.

President.—Mr. Ganguli, you were saying just now that the price of rods has gone up recently and I suppose prices of wire and nails have gone up proportionately?

Mr. Ganguli.—Not in proportion.

President.—You are supplying us with the price both of rods and wire and nails. Can you give us now a general idea as to the extent of the increase in price?

Mr. Ganguli.—Rod is somewhere about £6-10-0, wire is £10, wire nails £11-10-0. These are the current c.i.f. prices.

Dr. Matthai.—In that statement that I asked you to prepare can you also give me the price for No. 5 rod for last year and this year?

Mr. Ganguli.—Yes.

Managing Agency of the proposed Company.

Dr. Matthai.—I want to get some idea about your managing agency. The managing agency of this business is going to be undertaken by the Associated Trading Company. Is that a Company which is now in existence?

Mr. Ganguli.—No.

Dr. Matthai.—You mean the managing agency firm has to be brought into existence?

Mr. Ganguli.—The promoters come from different companies. I am one of the promoters and I come from Messrs. Ganguli and Company and some one else from some other company and we therefore want to first a new company in which there will be more than one partner.

Dr. Matthai.—Generally when a new business is started and you hand over the managing agency to a different company, it is because this company has already established a reputation financially in other business fields.

Mr. Ganguli.—We are not quite sure of the same yet. It may be only Ganguli and Company.

Dr. Matthai.—You suggest a remuneration for managing agency of Rs. 50 a month plus 10 per cent. on the nett profit?

Mr. Ganguli.—Yes.

Dr. Matthai.—As the standard of managing agency remuneration in Calcutta would you consider that is fair?

Mr. Ganguli.—Generally charges are much higher.

Dr. Matthai.—Have you any idea how they are calculated?

Mr. Ganguli.—They calculate generally on gross sale proceeds—2 to 2½ per cent. on gross sale proceeds.

Quality of wire used for nails.

Dr. Matthai.—When we were enquiring into this question three years ago the representative of the Steel Wire Products Limited said that the real reason why nails sold at the same price as wire was that the nails were made out of short lengths and waste wire.

Mr. Ganguli.—It is difficult to conceive that so much short wire was available. It may be that they are utilizing short lengths for making nails but I do not think it is possible to make nails in large quantities from short lengths.

Dr. Matthai.—I think it was also suggested that they used scrap.

Mr. Ganguli.—They do utilize scrap also but I do not know what percentage of scrap they may be using in a factory. *Dr. Ganguli* may be able to enlighten you.

Dr. Matthai.—The point was raised here three years ago that a considerable portion of the nails imported into India from the Continent was made out of waste wire.

Dr. Ganguli.—There is some truth in it. In the process of manufacture all wire produced cannot be of uniform quality. Wire of inferior quality are used for the manufacture of nails. The most important factor in this case is that in Germany machines have been invented in which special attention has been given to improve the mechanism of the machinery in such a way that even bad wire could be used for the manufacture of nails.

Dr. Matthai.—Now the point is this that if that practice obtains there, it means that the wire out of which nails imported into this country are made, could be bought by the manufacturer in Germany at a much cheaper price.

Dr. Ganguli.—True.

Dr. Matthai.—Does that apply to a considerable part of the nail business?

Dr. Ganguli.—Yes.

President.—That being so it would be only possible to sell nails at this very low price if wire was manufactured on a very large scale, because as you were saying, these cheap nails are made from inferior wire or waste wire.

Dr. Ganguli.—I didn't say waste wire, but wire of inferior quality.

President.—Second class wire. Unless you are producing wire on an enormous scale the amount of second class wire which you would have available would be very limited.

Dr. Ganguli.—Yes.

President.—So that this special price for nails could only be reached by a factory producing on a very large scale.

Dr. Ganguli.—I wouldn't say that, because there are other factors in this question. For instance in Germany or in other countries they themselves use large quantities of nails. I cannot definitely say that only first class wire is sold in the market and that only second class wire is used in the manufacture of nails. It may be that even first class wire is used in the manufacture of nails, when the demand is large.

President.—At the same time the tendency would be as I have indicated.

Dr. Ganguli.—Yes.

President.—At any rate to a considerable extent. It would only be possible to produce and sell nails out of the second class material at the same price as wire if you were producing wire on a very large scale so that you had a considerable quantity of second class wire.

Dr. Ganguli.—That applies to Germany or Belgium where wire is produced on a very large scale, whereas I could not commit myself to any definite statement as to India, because in India there are other factors, for instance cheap labour, etc. All these factors have got to be taken into account whereas they have not been taken into consideration in Germany.

President.—Confining ourselves to this one factor, viz., the manufacture of nails out of second class wire, this would only be possible in a country where wire was produced on a very large scale.

Dr. Ganguli.—Yes.

Dr. Matthai.—Have you any information as to the course of freights on steel products recently in India? Have freights gone up? Have you any idea at all in the kind of business that you are dealing in?

Mr. Ganguli.—We don't know. Of course our quotations are freight and everything paid.

President.—May I ask if this Company which you propose to float eventually, would you continue your agency of the Steel Wire Products?

Mr. Ganguli.—We would try to. We have always valued this connection.

Dr. Matthai.—It would not be an easy thing to combine.

Mr. Ganguli.—Not if there is a market for the products of both the Companies, but if the competition is very keen, they will have to make other arrangements.

XXII.-Indian Stores Department.

Letter dated the 11th May 1927, from the Chief Controller of Stores.

With reference to your letter No. 296, dated the 29th April 1927, I have the honour to say that complete information regarding the quantities of the articles mentioned in your letter imported on behalf of Government during the years 1924-25, 1925-26 and 1926-27 is not available in this department.

I enclose herewith a statement which shows the quantity of the articles supplied by the Director General of Stores during the years specified against indents submitted to the India Store Department, London, and it is hoped that this information will be of some assistance to you. I may explain that the f.o.b. Bombay rates have been calculated in accordance with the provisions contained in Rule 2 of the Rules for the supply of articles for the Public Service.

I may also explain that the "Hard Bright Wire" shown in the statement was wire of very high quality required by Ordnance Factories and it is possible that the rate shown in the statement against this item may be found to be considerably in excess of market rates for hard bright wire of ordinary trade supply.

Quantity of wire and wire nails shown in the orders placed by the Director General, Indian Stores Department, London, during three years 1924-25 to 1926-1927 and the yearly average price per ton f.o.r. Bombay of these items.

	1924-25 Quantity.		Yearly average price per ton f.o.r. Bombay.		1925-26 Quantity.		Yearly average price per ton f.o.r. Bombay.		1926-27 Quantity.		Yearly average price per ton f.o.r. Bombay.	
	T. C.	qr. lb.	T. C.	qr. lb.	T. C.	qr. lb.	T. C.	qr. lb.	T. C.	qr. lb.	T. C.	qr. lb.
1 Hard bright wire	7 19	2 1	498 0 3		7 3	2 23	359 9 1		4 19	0 0	381 8 3	
2 Galvanized wire	1,405 10	2 0	277 2 3		1,756 15	3 21	241 11 9		2,193 1 0	15 68	227 0 3	
3 Annealed wire	8 3	3 4	308 0 3		45 11	2 0	236 2 0		5 13	0 0	202 15 4	
4 Wire Nails	38 11	2 14	337 12 8		18 8	3 24	302 7 4		22 15	3 14	268 11 9	

Table.—Collector of Customs, Calcutta.

Letter dated the 12th January 1927.

With reference to your letter No. 36, dated the 4th instant, I have the honour to give below some prices observed for plain wire and wire nails.

Month in which imported.	Description.	Price.
	Plain wire.	£ s. d.
June 1926	Bright drawn A. S. wire 16 gauge British.	12 10 0 per ton c.i.f.
July 1927	Annealed A. S. wire 16 gauge British.	18 7 6 " " "
October 1926	Bright drawn A. S. wire 8 gauge British.	11 5 0 " " "
	Wire nails.	£ s. d.
January 1926	Round wire nails chequered head in 2 cwt. kegs continental 1' x 1½g., 2' x 1½g., 2½' x 1½g., 3' x 1½g., 3½' x 1½g., 4' x 1½g., 4½' x 1½g., 5' x 1½g., 6' x 1½g.	0 11 0 per cwt. c.i.f.
March 1926	Bright chequered head wire nails in 2 cwt. kegs British, 1' x 1½g., 2' x 1½g.	0 12 3 " " "
July 1926	Countersunk chequered head wire nails in 2 cwt. kegs, Belgian, 1' x 1½g., 2' x 1½g., 2½' x 1½g., 3' x 1½g., 3½' x 1½g., 4' x 1½g., 4½' x 1½g., 5' x 1½g., 6' x 1½g.	0 11 8 " " "
September 1926	Countersunk chequered head wire nails in 2 cwt. kegs, Belgian, 1' x 1½g., 2' x 1½g., 2½' x 1½g., 3' x 1½g., 3½' x 1½g., 4' x 1½g., 4½' x 1½g., 5' x 1½g., 6' x 1½g.	0 11 6 " " "

Table.—Collector of Customs, Bombay.

Letter dated 16th February 1927.

With reference to your letter No. 36, dated 5th January 1927, I have the honour to state below the required c.i.f. prices as ascertained on enquiry in the local market.

I.

Wire.

(a) Plain black annealed wire for bundling grass.—Usual importations in rolls of 2½ lbs. or 2 cwt. net capacity of 12, 14 and 16 B. W. G.

Prices—

January and February 1926	12s. c.i.f. per cwt.
March	11s. c.i.f. per cwt.
April to June	10½s. c.i.f. per cwt.
July to December	9½s. to 9s. c.i.f. per cwt.

(b) *Bright iron wire*.—Imported in gauge from No. 1 to 32; packing as above. The prices for this ranged between 11s. 6d. to 10s. 4d. throughout the year.

II.

WIRE NAILS.

Wire nails of gauges from 6 to 14 and 1" and 6" in length are imported as under in cases of 1 cwt. nett capacity, each case containing 16 packets of 7 lbs. nett each.

Gauge	.	.	.	14	13, 12	11, 10	8, 7, 6
Inches	.	.	.	1, 1 $\frac{1}{4}$	1 $\frac{1}{2}$, 2	2 $\frac{1}{2}$, 3	4, 5, 6

The c.i.f. prices of the above kinds of nails during the year 1926 were as follows:—

	s.	d.
January	12	5
February to April	12	3
May to July	12	
August to October	11	7 $\frac{1}{2}$
November	11	3
December	11	6

These quotations were for consignments containing in one shipment all the gauges as shown above; if, however, nails of specific gauges only out of these were indented for, the prices were liable to variation according to the gauge ordered.

The prices quoted above are for Belgian and German goods.

XXV.—Messrs. Kilburn and Company.

Letter dated 30th December 1926.

With reference to your letter No. 942 of 21st instant we have the honour to enclose herewith 3 statements showing the gauge of the wire and the length and gauge of the wire nails imported from Home during the year 1926.

Description of articles.	Rate.	Amount.
	s. d.	£ s. d.
(1) Purchased from Messrs. The Firth Co., Ltd., 5, Lorraine Pountney Hill E.C. 4, London, dated 17th June 1926.		
Seizing wire Gd. 10 cwt.	33 6 per cwt.	16 15 0
(20 bales of 19 C.wg. × 7 ply packed in canvas free).		
Shipping charges, etc., paid by our London office	..	0 16 9

To Vittoria wharf, Birkenhead for shipment per S/S
"Mahout."

Description of Articles.	Rate.	Amount.
(2) Purchased from Messrs. The Whitecross Co., Ltd., 110, Fenchurch Street. E.C.3, London, dated 29th June 1926.	s. d.	£ s. d.
<i>Galvanised mild steel wire Rigging Rope.</i>		
1 Coil 600 fms. $\frac{3}{4}$ " 2-3-26	57 6 per cwt.	8 11 6
1 „ 900 „ 1" 6-3-21	44 6 per cwt.	15 8 8
Shipping charges, etc., paid by our London office . .		24 0 2 1 15 10
Paid to S. S. "Manipur" at Birkenhead C/o Messrs. T. and J. Brocklebank Ltd., Liverpool.		25 16 0
(3) Purchased from Messrs. Lawler Ayers & Co., Ltd., 1, Broad Street Place, London, dated 19th July 1926.		
<i>French Wire Nails.</i>		
5 Kegs 5 cwt. 1" x 14 G	16 0 per cwt.	4 0 0
10 „ 10 „ $1\frac{1}{4}$ " x 13"	15 0 per cwt.	7 10 0
10 „ 10 „ $1\frac{1}{4}$ " x 12"	14 6 per cwt.	7 5 0
10 „ 10 „ 2" x 11 G	14 0 per cwt.	7 0 0
10 „ 10 „ $2\frac{1}{2}$ " x 9"	13 0 per cwt.	6 10 0
Shipping charges, etc., paid by our London office . .		32 5 0 3 7 0
Forwarded to East Floating Dock, Birkenhead for ship ment per S.S. "City of Calcutta."		35 12 0

XXVI.—Messrs. Balmer Lawrie and Company, Limited, Calcutta.*Letter dated the 8th January 1927.*

Replying to your letter No. 1 of the 3rd instant, we have pleasure in giving you details of the only imports of galvanized plain wire we made during 1926.

(1) No. 8 and 12 gauge galvanized wire. Continental manufacture at £10-7-6 per ton c.i.f. Calcutta. Date of Invoice February 3rd, 1926.

(2) No. 8, 6 and 4 gauge galvanized plain wire. Continental manufacture at £9-10-0 c.i.f. Calcutta. Date of Invoice 28th July 1926.

(3) Galvanized iron wire 8 and 10 gauge.—Continental manufacture at £10-5-0 c.i.f. Calcutta. Invoice date 1st September 1926.

We regret that we have been unable to give you any information regarding wire nails, as no imports were made during the period in question. We trust, however, that the above information may be of some service to you.

XXVII.—Burma Indian Chamber of Commerce.*Letter dated the 12th July 1926.*

With reference to the Government of India, Commerce Department Resolution No. 260-T. (64), dated the 3rd April 1926, I am directed by the Committee of this Chamber to send herewith their views on the question of the continuance of protection to the Indian Steel Industry.

Memorandum submitted to the Tariff Board in connection with the enquiry undertaken under provisions of Section 6 of the Steel Industry (Protection) Act, 1924.

* * * * *

As for Wire Nails, the Committee of the Chamber beg to point out that the total imports in 1924-25 were 16,238 tons as against the total Indian production of only 1,440 tons per year according to the Report of the Tariff Board (1924). The Committee also beg to point out that Burma is the largest consumer in this respect, its share in imports in 1924-25 being 6,758 tons. They feel that the production (according to the Report of the Tariff Board) is too small. The Tariff Board should, therefore, enquire very carefully whether there are any reasonable prospects for that industry to develop within a reasonable time, and, if so, assistance should be given to that industry by bounties instead of by high protective duties as at present.

XXVIII.—Indian Chamber of Commerce.*Letter dated the 9th August 1926.*

I am directed to refer to paragraph 24 of the Board's Report regarding the grant of protection to the wire and wire nail industry. In the paragraph under reference the Board recorded a recommendation for the withdrawal of the protective duty on Wire nails or indeed upon "Steel rods or round bars" of less than $\frac{1}{2}$ inch diameter. The Board were satisfied that the exclusion of these sizes from the scope of the protective duty would not prejudice the Steel industry, a fact which was also admitted by the Tata Iron and Steel Company.

2. Pursuant to the terms of the recommendation it appears that the Government of India by the Finance Department (Central Revenues) notification No. 21, dated the 11th July, exempted the steel rods and round bars from the payment of so much of duty as is in excess of 10 per cent. By a subsequent notification, however, No. 25, dated the 28th ultimo, the Government superseded the previous notification and exempted the round bars and the rods from the payment of so much of custom duty as is in excess of 10 per cent. It is difficult to realise what the Government has exactly in view in superseding the previous notification: for the round bars and round rods as understood by the trade are indistinguishable and should the Government have referred in the second notification both to square rods and round rods, then both the notifications are substantially the same. It is presumed, however, and the presumption is confirmed by the action of the Customs authorities at Calcutta, that by the later notification the Government intended to withdraw the reduction in duty in respect of the square rods as was granted by the first notification.

3. It would therefore appear that the interpretation of the Board's recommendation as contained in paragraph 24 referred to above has been attended with a certain amount of misunderstanding and the Committee of the Chamber should feel obliged if the Board would favour them with an expression of opinion as to whether in the recommendation now under reference they had intended the reduced duty to apply both with regard to square rods and the round bars or only with regard to the latter. Should later be the case the Committee would request the Board to consider in course of the present enquiry whether the square rods of less than half an inch diameter should not be excluded from the scheme of protection just as the round rods of the identical size.

Copy of letter No. 110, dated the 19th August 1926, from the Secretary, Tariff Board, to the Secretary, Indian Chamber of Commerce, Calcutta.

I am directed to refer to your letter No. C. 6'26, dated the 9th instant, and to say that the Tariff Board does not express any opinion on any matter not specifically referred to it by the Government of India and also that the question of the import duties upon square iron or steel rod will be dealt with during the course of the present Statutory Steel Enquiry.

